

EFFECTS OF “WAR TAX” COLLECTION IN HONDURAN SOCIETY:  
EVALUATING THE SOCIAL AND ECONOMIC COST

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General Studies

by

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## ABSTRACT

EFFECTS OF “WAR TAX” COLLECTION IN HONDURAN SOCIETY:  
EVALUATING THE SOCIAL AND ECONOMIC COST, by MAJ Carlos Zavala  
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The crime of extortion is having negative social and economic impacts and consequently affects public safety in Honduras. The so-called "war tax" has become a plague for many residential areas, as well as for micro and small enterprises, the public passenger transport sector, schools, and even churches. Victims of extortion are at risk of being killed, kidnapped, themselves and placing their families at risk if they do not comply with criminal extortion demands.

The research topic arises from a need to determine the effects of the activities of criminal organizations by analyzing the economic and social cost to the country. The objectives are to identify the most vulnerable places where criminals collect this “tax,” the social levels most affected, the commercial activities carried out by the victims, the criminal organizations that are involved in this crime, and the measures taken by both the Honduran government and security institutions in order to counter this crime.

The study examines the information found in open electronic sources and analyses prepared by professional and governmental security institutions. This research suggests that criminal organizations are obtaining large amounts of money through extortion, which is causing the closure of small and micro enterprises, an environment of insecurity that discourages investment, and increasing internal and external migration of people, among other effects. Finally, the author makes some general recommendations to attack the problem.

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## ACRONYMS

FUSINA	Interinstitutional National Security Force (Acronym in Spanish)
M-18	Gang 18
MPPO	Military Police of Public Order
MS-13	Gang Salvatrucha.
NAF	National Antiextortion Force
NDCI	National Directorate of Criminal Investigation



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## CHAPTER 1

### INTRODUCTION

Extortion is a problem that affects the security, the education, and the economy of the nation.

—Augusto Cruz Asencio, Honduran Congressman, 2014

This research topic arises from a need to assess the activities of criminal organizations in Honduras, which in recent years have developed illegal taxation, commonly known as the “War Tax”, as a way to extort money from people or businesses in large cities, particularly in the fields of public transportation, informal business, and micro and small enterprises.

This “War Tax” collection is generating many negative consequences among Honduran social and economic sectors because organized criminals are using members of clandestine organizations to obtain large amounts of money through blackmail as alleged payment to provide security to the family, business, or place of residence. In most instances, criminals threaten to kill a business owner, force him to close the business, or kidnap and even murder a family member, plus a range of other extortion methods. Thus, many people often yield to the demands of these criminals.

This situation is linked to major problems caused by other criminal activities that lead to conditions that qualify Honduras as one of the most violent countries in the world.<sup>1</sup> Most alarming is that this problem has been spreading to other sectors of society

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<sup>1</sup> According to the *2011 Global Study on Homicide*, Honduras is the country with the highest homicide rate in the world (82.1 per 100,000 inhabitants). In Central America, homicide rates have increased in five out of eight countries in the last five years, with Honduras in particular seeing homicide rates more than double between 2005 and 2010.

creating an atmosphere of insecurity and fear in the population which, in turn, affects the national economy. Families that with great efforts and sacrifices have managed to buy a home or build a small business have had to get rid of all their properties due to the risk of being killed as a consequence of not paying this illegal bribe.

### Primary Research Question

What are the specific social and economic effects of the “war tax” collection on Honduran society?

### Secondary Research Questions

1. Which are the most vulnerable places where criminal groups collect the “war tax”?
2. What are the social levels and the commercial activities carried out by victims of extortion?
3. What criminal organizations are involved in this crime?
4. What measures have the authorities and responsible governmental agencies been taking?

### Assumption

The economic benefits received by criminal organizations as a result of this scourge foster the emergence of new criminal organizations. This, in turn, generates fights for territory that trigger greater insecurity within the country.

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United Nations Office on Drugs and Crime, *2011 Global Study on Homicide: Trends, Contexts, Data* (Vienna: UNODC, 2011), 50, 93.

### Limitations

The information gathering for this thesis relied on open electronic sources and statistical data from security and intelligence agencies. There are no bibliographic resources that fully describe this scourge, except in cases where some trends and the modus operandi of organizations engaged in the commission of this crime have identified. However, the main limitation encountered is the poor reliability of the statistical data because the high degree of public mistrust the security institutions discourages private citizens from reporting these events. As a result, the percentages shown may not be realistic. In addition, some references include intelligence reports from governmental security institutions, which restrict the publication of specific details related to the source.

### Delimitations

The research project is aimed at the analysis of the last five years, from 1 January 2010 to 31 December 2014. In order to achieve a better understanding of the situation, the information gathered has been based on the areas of highest incidence in “war tax” collection, particularly in the twin cities of Tegucigalpa and Comayagüela, since this crime mostly affects the large cities of the country.

## CHAPTER 2

### LITERATURE REVIEW

This chapter is a product of the literature review that serves as a baseline for the analysis of the information gathered. It includes an overview of the crime of extortion, as well as background information on both gangs in Central America and the evolution of extortion through the “war tax” collection in Honduras. This will give a contextual perspective in order to have an understanding of both the way criminal organizations operate and the complexity of the problem. This understanding will facilitate the assessment of the effects or consequences of the collection of the “war tax” on both the economy and society of Honduras.

#### Extortion crime overview

When one talks about extortion, usually it is only from a criminal perspective and the penalties it carries regardless of the damage that this problem causes its victims, which attacks people’s spirit of self-determination and entrepreneurship. The most effective way to persuade victims to pay the “war tax” is through threats, as it is the common means that criminals use to achieve their goals. Therefore, these threats become a form of aggression, achieving the goal of the extortionist. Threats seek to reduce the victim through psychological and moral damage.<sup>2</sup> Threats are those actions used to persuade victims through intimidation. For example, the request for payment of money in

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<sup>2</sup> Francisco Pavón Vasconcelos, *Crimes Against Property* (Mexico DF: Ed. Porrúa, 1995), 51.

exchange for keeping silent and not reporting a crime committed; or demanding money in return for not attempting to take the life of either the victim or other family member.

Likewise, according to Beltran and Salcedo, in their essay “Crime as a Profession”, criminal extortion can be explained based on several theories that view it from various perspective such as: biological, learning, personality, economic, cultural and social.<sup>3</sup> Their theory manages to integrate three key activities that occur at the time when a person commits an offense:

1. The volitional component (will), i.e. wanting to commit a crime.<sup>4</sup>
2. The cognitive component, which refers to the know-how that allows the execution of the crime;<sup>5</sup> and
3. The component of emotional control, i.e., the capacity to regulate emotions in the moments of the execution of the crime.<sup>6</sup>

From this perspective, a criminal who is extorting understands the wrongfulness of his conduct. Therefore, the crime of extortion is a task that requires careful planning, which increases the probability of success when a group is executing the crime. Conversely, the probability is diminished when a single person tries the action. Extortionists try to learn all they can about their victims. They want to know their economic capacity, their family connections and activities, and who are their family

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<sup>3</sup> Isaac Beltrán and Eduardo Salcedo, *Crime as a Profession: Essays about Crime Economy in Colombia* (Bogota: Economic Faculty, Externado University of Colombia, 2007), 14.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid., 15.

members, among other things. Extortionists classify their victims as primary victims or those who are directly affected, and secondary victims who are family and friends to their main target.<sup>7</sup> The sources from which information of the victims is obtained by extortionists are varied and can be classified as:

1. Primary sources: they have a direct contact with victims;<sup>8</sup>
2. Secondary sources: they are people who know the victims or third parties that provide information to extortionists;<sup>9</sup> and
3. Tertiary sources: these are documents and other information posted on media and social networks that extortionists use to learn about the selected victim.<sup>10</sup>

### Background of Gangs

#### Gangs in Central America

Criminal gangs pose a serious threat to democracies, economies and security in Central America. They overwhelm governments, law enforcement agencies, and justice systems with crime and violence. According to statistical data presented in *Air & Space Power Journal*, at least 60 percent of the 2,576 murders in El Salvador in 2004 were related to gangs. This trend has increased sharply in recent years.<sup>11</sup> These statistics hint at high levels of violence and at the difficulty that authorities are experiencing when confronting these criminal organizations. This situation further raises questions about the

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<sup>7</sup> Pavón Vasconcelos, 113.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid., 114.

<sup>10</sup> Ibid., 115.

<sup>11</sup> Bruneau and Goetze, 52.



capability of governments to maintain public order and public safety, and the viability of democracy as a feasible and effective system.

Meanwhile, in El Salvador, gangs have created small businesses that employ violence against their competitors such as bus companies.<sup>12</sup> This situation makes them a threat to both public security and citizen security. Public security, which refers to the guarantee of the necessary basic conditions for the development of society, such as business transactions, communications, and transportation. Citizen security refers to the ability of individuals and groups to exercise their political, civil or economic rights.<sup>13</sup>

Nowadays, citizens in these Central American nations go about their daily activities with fear of being victims of assault or of being killed in their own neighborhoods. Small and medium businesses owners cannot operate unless they comply with the requirements of the “war tax” payment to gangs. This illicit activity has grown disproportionately in relation to the capacities of security forces to the extent that neighborhoods or entire residential areas are under the control of gangs. This situation will persist unless competent authorities take action to prevent it.<sup>14</sup> Over time, gangs have evolved in their action or modus operandi. Every day their crimes are more complex,

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<sup>12</sup> Ibid.

<sup>13</sup> Percy Quiroz Nolasco, *Citizen Security* (Lima, Perú: 2013), accessed January 12, 2015, <http://www.monografias.com/trabajos97/la-seguridad-ciudadana/la-seguridad-ciudadana.shtml>.

<sup>14</sup> El Diario de Hoy, “Gangs Still Control Downtown San Salvador,” August 16, 2010, accessed December 14, 2014, [http://www.elsalvador.com/mwedh/nota/nota\\_completa.asp?idCat=6358&idArt=5058534](http://www.elsalvador.com/mwedh/nota/nota_completa.asp?idCat=6358&idArt=5058534).

violent, and lucrative. Furthermore, a better coordination between *Clikas*<sup>15</sup> has been identified. They possess better equipment and organization, demonstrating a greater planning capability for their crimes, all of which makes them more dangerous. A key indicator that gangs exert control over certain territories is the increase of extortion crime incidents. According to statistical data managed by the National Civil Police of El Salvador, extortion represents the most lucrative income for gangs in that country. This crime had increased exponentially from 289 registered cases in 2003 to 493 registered cases in 2005, and even more than 2,500 cases in 2006.<sup>16</sup>

In the meantime, Gang Salvatrucha (MS-13) and Gang 18 (M-18) are the two most prevalent criminal gangs in Guatemala, which now have been reorganized under a more centralized leadership, transforming simple gangs into transnational criminal organizations. According to Juan Pablo Rios, Coordinator of the Task Force against Mercenary Assassinations created and organized by the Ministry of Internal Affairs of Guatemala, “These are criminal groups with a very hierarchical way of organization, in which there is one single person who ‘has the voice’, they call him like that, and makes

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<sup>15</sup> A base located gang organization. It is usually small groups (20 – 40 members), organized hierarchically in an easy way: the chief named “Big Word” or “Chief”, who is responsible for coordinating the other. The rest of members are all equal in hierarchy. Public Security Department, *Definition and Classification of Gangs* (Washington, DC: OAS, 2007), 7, accessed January 20, 2015, <https://www.oas.org/dsp/documentos/pandillas/AnexoVI.Honduras.pdf>.

<sup>16</sup> Bruneau and Goetze, 53.

decisions. Previously, contacts between the cliques were not frequent. However, in recent years the organization has evolved [translated by the author].”<sup>17</sup>

Gangs have reorganized their leadership structure. On the one hand, within the MS-13 gang is the Council of Nine [Consejo de los Nueve], which initially was integrated by the nine highest ranked *clika* leaders but currently is integrated by 37 heads of *clikas*. On the other hand, within the M-18 is the Wheel of Neighborhood [Rueda del Barrio], which is suspected to be integrated by 16 leaders at the highest level.<sup>18</sup>

Furthermore, there is strong evidence that gangs have established connections with transnational criminal organizations such as *Los Zetas*<sup>19</sup>. A gang may agree to

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<sup>17</sup> José Melendez, “Gangs, the Organization of Crime,” *El Universal*, December 29, 2012, accessed October 12, 2014, <http://www.eluniversal.com.mx/internacional/80745.html>.

<sup>18</sup> Jeremy McDermott, “Gangs in Guatemala Become more Sophisticated,” *InSight Crime*, January 3, 2013, accessed October 3, 2014, <http://es.insightcrime.org/analisis/las-maras-en-guatemala-se-sofisticacion>.

<sup>19</sup> “With a strong presence in about 17 Mexican states - or half the country - Los Zetas is the largest criminal syndicate operating in Mexico. The group started out as the enforcement branch of the Mexican Gulf Cartel. Originally made up of 34 Mexican special-forces soldiers, the death squad was tasked with protecting a young, up-and-coming leader of the Gulf Cartel, Osiel Cárdenas Guillén. The Gulf Cartel was in the midst of a violent turf war when Cárdenas Guillén took over as its leader in 1999. For his protection, Cárdenas Guillén hired a bodyguard (retired Army lieutenant Ruben 'el Chato' Salinas), who then solicited 30 Mexican army deserters to form the cartel's well-paid mercenary wing. Over the years, Cardenas expanded the Zetas' responsibilities. The group bribed and threatened its way to uncontested power until the Gulf Cartel became virtually untouchable by law enforcement. By 2003, Los Zetas had expanded to include roughly 300 paramilitary men with sophisticated weapons and advanced military training. The Mexican Defense Department recognized the group as ‘the most formidable death squad to have worked for organized crime in Mexican history.’ After a shootout with the Mexican military in 2003, Cárdenas Guillén was arrested and sentenced to 25 years in prison. By then, Los Zetas had far surpassed the Gulf Cartel in revenue, membership, and influence. In 2010 the Zetas broke away from the Gulf Cartel after years of internal conflict.” Natasha Bertrand, “How 34 Commandos Created Mexico’s Most Brutal Drug

become an armed group at their disposal to eliminate rivals and protect drug shipments through Central America in exchange for drugs as a method of payment. Secret recordings in prison and a remorseful kidnapper revealed a pact between leaders of gangs and *Los Zetas*, in their attempt to dominate drug trafficking routes between South America and the United States. Some noticeable signs have indicated that *Los Zetas* are providing training and equipment to the gangs in exchange for intelligence and the commission of crimes in order to distract the attention and drain the resources of law enforcement agencies.<sup>20</sup>

#### Actions of Central American Governments against Criminal Organizations

The governments of the countries most affected by this scourge include Guatemala, El Salvador, the United States, and Honduras. These countries have faced this threat with different legal and social actions. In El Salvador, broad legal authorities and special justice tribunals have been established in order to judge cases related to organized crime.<sup>21</sup> In addition, greater emphasis has been given to combat the structures of criminal

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Cartel,” *Business Insider*, May 5, 2015, accessed May 15, 2015, <http://www.businessinsider.com/how-34-commandos-created-mexicos-most-brutal-drug-cartel-2015-3>.

<sup>20</sup> Romina Ruiz-Goiriena, “Los Zetas and Gangs a Fearsome Alliance,” *La Nación*, April 9, 2012, accessed October 15, 2014, <http://www.lanacion.com.ar/1463380-los-zetas-y-las-maras-una-temible-alianza>.

<sup>21</sup> In 2006, the Legislative Assembly of El Salvador adopted the Law Against Organized Crime and Crimes of Complex Realization in order to regulate a specialized procedure that more quickly and effectively punish such acts, and to establish judges and courts that try those crimes exclusively. Legislative Assembly of El Salvador, *Law Against Organized Crime and Crimes of Complex Realization*, San Salvador, December 20, 2006, accessed February 10, 2015, <http://pdpa.georgetown.edu/Security/citizenssecurity/salvador/leyes/decreto190.pdf>.

organizations, especially gang leadership structures. In addition, special approaches have been designed and applied against the most lucrative activities such as kidnapping and extortion.<sup>22</sup> Furthermore, the government has given priority to the training of agents of justice institutions, creating new specialized units to combat criminal organizations.<sup>23</sup> In some cases, they have attempted to negotiate truces with gangs. Though these negotiations are not formal between gangs and the government, criminal gang leaders have, in some cases, seen this initiative as an opportunity for rehabilitation and have agreed to sit at the table in order to establish the conditions for their return to society.<sup>24</sup>

In addition to these national efforts in El Salvador, bilateral and regional policies have been also established such as the agreement between the Presidents of Guatemala and El Salvador for the creation of a Joint Force of Security for their common borders against the activities of gangs,<sup>25</sup> the creation of a joint database by officials from

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<sup>22</sup> Ibid., article 1.

<sup>23</sup> The Minister of Justice and Public Security of El Salvador, General David Mungia Peasant, said the Anti-gang Unit is already operating in the municipalities that comprise The Great San Salvador. This area, according to the Minister, is where more than 33 percent of crimes at national level is committed. Moreover, they have identified 29 more areas where the new specialized unit will focus. The Anti-gang Unit will work with specified tasks and missions in conjunction with elements of intervention, investigation, and intelligence. La Prensa Grafica, "Anti-gang Unit is already operating in the Great San Salvador," Ministerio de Justicia y Seguridad Pública, April 30, 2012, accessed October 1, 2014, <http://www.seguridad.gob.sv/index.php/novedades/noticias/1839-unidad-antipandillas-ya-opera-en-el-gran-san-salvador>.

<sup>24</sup> Edgardo Ayala, "El Salvador: Gangs and Government negotiate," VoltaireNet, September 23, 2012, accessed December 10, 2014, <http://www.voltairenet.org/article176044.html>.

<sup>25</sup> El Diario de Hoy, "El Salvador and Guatemala Stand Up Border Police Force," March 17, 2005, accessed October 5, 2014, <http://www.elsalvador.com/noticias/2005/03/17/nacional/nac18.asp>.

Honduras, El Salvador, Nicaragua, Guatemala, Mexico and the United States in order to track the movements of transnational criminal organizations,<sup>26</sup> and the agreement between Guatemala and Mexico, which established joint mechanisms to confront both drug and weapon trafficking on their common borders.<sup>27</sup>

Likewise, the U.S. Department of the Treasury imposed unexpected financial sanctions against the MS-13 gang in October 2012.<sup>28</sup> All bank accounts of both leaders and identified members of this organization were frozen, placing this criminal organization in the same category of transnational criminal organizations as *Los Zetas*, the *Italian Camorra*, and the *Yakuza* of Japan.<sup>29</sup>

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<sup>26</sup> During the meeting on Regional Security in Washington, DC, the US-Mexico-Central America agreed to facilitate joint planning, confidence control agents, training, and coordinated operations. They also agreed to conduct research about crime among agencies responsible for law enforcement, customs, and border security in the region. Notimex, “Mexico, The US and Central America Will Share Databases Crime,” *Zocalo Saltillo*, July 12, 2011, accessed October 15, 2014, <http://www.zocalo.com.mx/seccion/articulo/compartiran-mexico-eu-y-centroamerica-bases-datos-contra-el-crimen>.

<sup>27</sup> Carlos Lara Moreno, “Mexico and Guatemala Agree to Frontally Fight Drug Trafficking,” *El Mexicano*, March 13, 2015, accessed March 14, 2015, <http://www.oem.com.mx/elmexicano/notas/n3737537.htm>.

<sup>28</sup> The U.S. Department of the Treasury established that Salvadoran MS-13 gang was included for the first time in its black list due to its links to “serious” transnational criminal activities such as murder, drug and people trafficking, and organized crime. El Mundo, “United States Includes in its Black List the Salvadoran Gang Salvatrucha,” October 10, 2012, accessed October 18, 2014, [http://www.elmundo.es/america/2012/10/11/estados\\_unidos/1349976335.html](http://www.elmundo.es/america/2012/10/11/estados_unidos/1349976335.html).

<sup>29</sup> El Espectador, “United States Has Blacklisted the Salvadoran MS-13 gang,” October 11, 2012, accessed October 20, 2014, <http://www.elespectador.com/noticias/elmundo/eeuu-incluye-lista-negra-pandilla-salvadorena-mara-salv-articulo-380629>.

## Gangs in Honduras

The National Program for Prevention, Rehabilitation, and Social Reinsertion (NPPRSR) revealed gangs are in Puerto Cortés, Choloma, Villanueva, La Lima, El Progreso, La Ceiba, Tela, Jutiapa, Roatán, Tocoa, El Paraíso, and Danlí. As of January 2011, MS-13 and M-18 accounted for 97 percent of all gang members in the country. According to this organization, most members are around the ages of 20-30 years, but were admitted at the age of 11 to 20. Similarly, NPPRSR stated that 10 percent of active members of the MS-13 gang and the M-18 gang are held in the prisons of Honduras, in addition to 336 former members. The largest gang was the MS-13, which continues to increase. In recent months, they have undertaken activities to completely remove M-18 from areas they controlled before.<sup>30</sup>

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<sup>30</sup> The National Program for Prevention, Rehabilitation, and Social Reintegration, supported by UNICEF, conducted during the period from September 2010 to January 2011, the research about the status of gangs in Honduras, taking as reference basically three groups: first one, young gang members from 14 different cities and municipalities of the country; second one, ex-gang members who are prisoners in jail; and finally, students of 5 different high schools in the Capital Central District (Tegucigalpa and Comayagüela). National Program for Prevention, Rehabilitation, and Social Reintegration, *Status of Gangs in Honduras* (Tegucigalpa, MDC: UNICEF, 2011), 9-11.

Table 1. General Distribution of Gang Members by Cities

City	MS-13		Gang 18		Organized gang		West Side		Gang 61		Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
San Pedro Sula	310	1034	241	1001							2586
Tegucigalpa	91	317	112	368							888
Puerto Cortés		16		15							31
Choloma	12	30	15	35							92
Villanueva	10	80									90
La Lima			8	35							43
Progreso		25									25
La Ceiba	3	60	6	150							219
Tela	12	35									47
Jutiapa				10							10
Roatán	7	32	3	10	8	30	7	18			115
Tocoa									12	55	67
Danlí	6	9	5	14							34
El Paraíso	2	13	2	17							34
<b>Total</b>	<b>453</b>	<b>1651</b>	<b>392</b>	<b>1655</b>	<b>8</b>	<b>30</b>	<b>7</b>	<b>18</b>	<b>12</b>	<b>55</b>	<b>4281</b>

*Source:* National Program for Prevention, Rehabilitation, and Social Reintegration, *Status of Gangs in Honduras* (Tegucigalpa, MDC: UNICEF, 2011), 99, accessed January 7, 2015, [http://www.unicef.org/honduras/Informe\\_situacion\\_maras\\_pandillas\\_honduras.pdf](http://www.unicef.org/honduras/Informe_situacion_maras_pandillas_honduras.pdf).

Honduras has become a key bridge for drug trafficking to the United States. According to Brian Nichols, U.S. Deputy Assistant Secretary of State for International Narcotics, 80 percent of the drugs entering to the United States pass through Central America:

About two, three or four years ago the drugs entered directly [to the United States], the vast majority [entered] to Mexico and passed through Mexico to the United States. Nowadays, the flow is more geared to the Central American isthmus. 80 percent of drug trafficking goes to the isthmus, and an important part of that flow is intended for Costa Rica, Honduras, and Guatemala. Previously, the drugs came through the Caribbean, and were flown to [peninsula] Yucatan [Mexico]. To date, it goes to the countries of Central America and then goes on



the road hidden by land to Mexico and then goes to the border, and enters [translated by the author].<sup>31</sup>

Direct flows of cocaine to Honduras have increased significantly after 2006 and have increased sharply after the political crisis of 2009. Air drug trafficking has grown from the border between Venezuela and Colombia and has been redirected to clandestine airstrips in Honduras.<sup>32</sup> The involvement of gangs in drug-trafficking activities has increased in the last decade. Though gangs initially were not involved in drug trafficking on a large scale, some research reveals that gangs are increasingly involved in this unlawful activity.<sup>33</sup> The United Nations warned that gangs have been involved in drug trafficking, mainly cocaine, on a large-scale through Central America and are threatening the security of people in the region.<sup>34</sup>

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<sup>31</sup> AFP, “80% of the Drug Entering to the United States Passes through Central America,” *ABC*, February 17, 2011, accessed October 2, 2014, <http://www.abc.com.py/internacionales/el-80-de-la-droga-que-entra-a-eeuu-pasa-por-centroamerica-221027.html>.

<sup>32</sup> Juan Pérez Ventura, “The Path of the Drug,” *El Orden Mundial en el S.XXI*, February 5, 2014, accessed November 11, 2014, <http://elordenmundial.com/regiones/latinoamerica/el-camino-de-la-droga/>.

<sup>33</sup> International Narcotics Control Board, *Report 2011* (New York: United Nations, 2012), 57, accessed January 26, 2015, [https://www.incb.org/documents/Publications/AnnualReports/AR2011/AR\\_2011\\_Spanish.pdf](https://www.incb.org/documents/Publications/AnnualReports/AR2011/AR_2011_Spanish.pdf).

<sup>34</sup> W. Salamanca and D. González, “UN Warns about Link Between Gangs and Drug Trafficking,” *El Diario de Hoy*, March 3, 2005, accessed January 20, 2014, <http://www.elsalvador.com/noticias/2005/03/03/nacional/nac14.asp>.

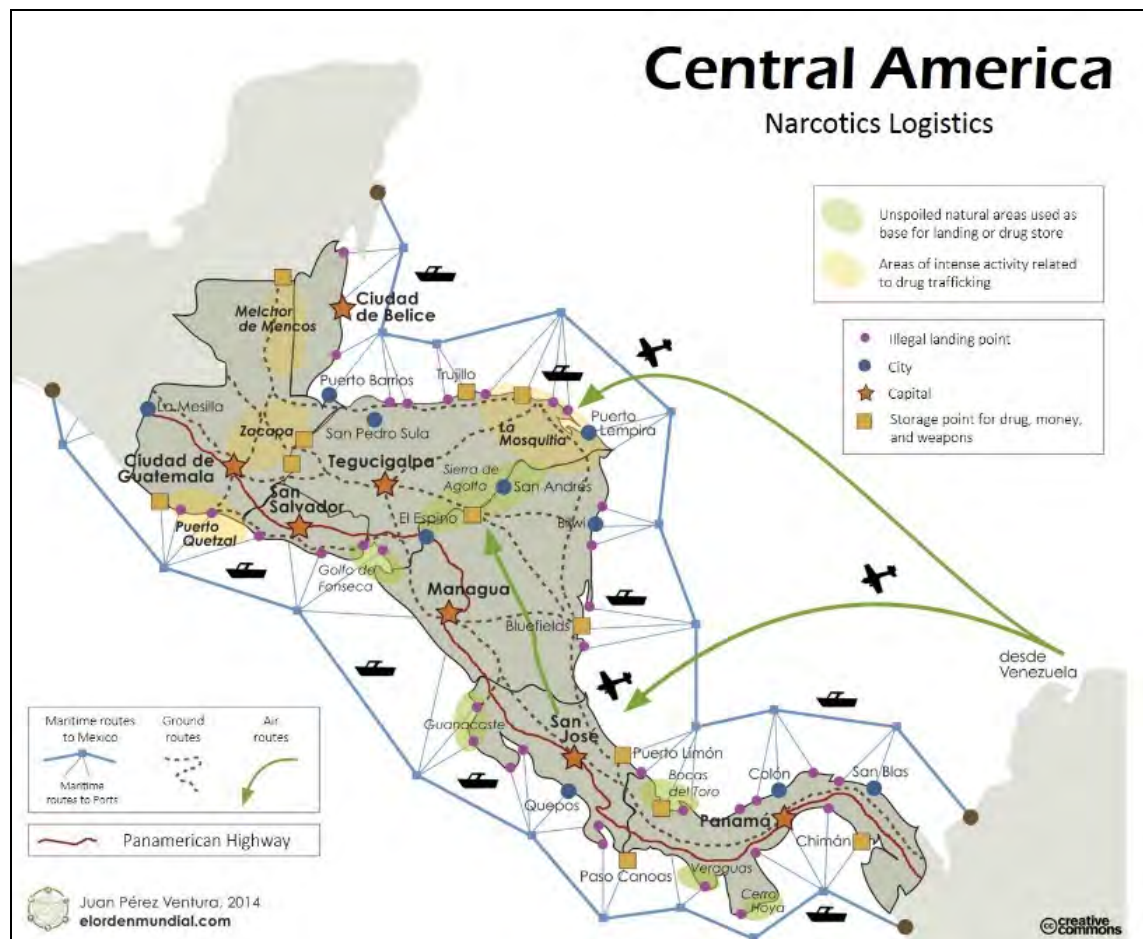


Figure 1. Central America Narcotics Logistics

*Source:* Juan Pérez Ventura, “The Path of the Drug,” *El Orden Mundial en el S.XXI*, February 5, 2014, accessed November 11, 2014, <http://elordenmundial.com/regiones/latinoamerica/el-camino-de-la-droga/>.

Likewise, according to intelligence reports from law enforcement institutions, gangs are linked to crimes such as kidnappings, drug trafficking and organized crime, with ramifications at an international level. Moreover, in recent years these organizations have been implicated in the commission of crimes such as blackmail and extortion from both bus and taxi companies that circulate on territories under their control. They request a “tax” payment in order to work freely. They have also extended criminal actions to

collect this “protection tax” from local businesses, schools, people, and even churches. As it is shown in Table 1, MS-13 gang and M-18 gang are found in many cities across the country. These gangs are committing all sort of criminal activities to include drug dealing, extortion, “war tax” collection, kidnapping, and hired assassinations. Although Tegucigalpa and San Pedro Sula are the most affected cities, these criminal groups also terrorize other cities in Honduras.

Gangs have entered a process of transformation based on an organizational growth and the need for greater prominence or importance in the underworld of organized crime. Gangs have evolved to the extent of creating security threats both public and private in neighborhoods, metropolitan areas, and entire countries. These criminal organizations have been transformed through three generations due to their interaction with other transnational organized crime organizations, being recategorized as groups of the *Third Generation*.<sup>35</sup>

It has been noted that gangs have been able to manage their growth by leveraging the expertise of professionals in different fields of knowledge. Initially, gang members were people who were practically illiterate. However, gang leaders decided to professionalize members who possessed both the desire to study and better themselves.

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<sup>35</sup> John P. Sullivan-researcher and professional specialized in intelligence, counterterrorism, counterinsurgency, and urban operations- summarizes the three gang generations: (1) First Generation Gangs are traditional street gangs with a territorial orientation. They have flexible leadership and are focused on the protection of their territory –usually a couple of blocks or a neighborhood. (2) Second Generation Gangs have a commercial approach. They are small businesses and centered on drugs. They use violence as a way to control competition and operate in wider geographic areas. (3) Third Generation Gangs are more complex and operate in the global end of the spectrum, using their sophistication to gain power, to help financial acquisition, and engage in mercenary activities. John P. Sullivan, “Transnational Gangs: The Impact of Third Generation Gangs in Central America,” *Air and Space Power* 20, no. 82 (2nd Quarter 2008): 78.

Now, these criminal organizations have doctors, nurses, lawyers, engineers, architects, and computer specialists. According to some police sources, the M-18 gang has acquired medical equipment to heal members in case of being injured during clashes. Similarly, when any gang member is caught, in a short period of time, attorneys arrive and direct detainees not to speak in order to prevent them from revealing information about the activities of the gang.<sup>36</sup> Another important fact is that gang members have changed their way of dressing, walking, and talking. Also, they no longer paint with graffiti the walls of houses in areas where their leaders live and new members are not tattooed to avoid being identified. Nowadays, gang members dress well and some of them use long sleeves to hide tattoos.

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<sup>36</sup> El Herald, “University Professionals are Members of M-18 Gang,” August 6, 2014, accessed October 15, 2014, <http://www.elheraldo.hn/sucesos/735969-219/profesionales-universitarios-son-miembros-de-mara-18>.

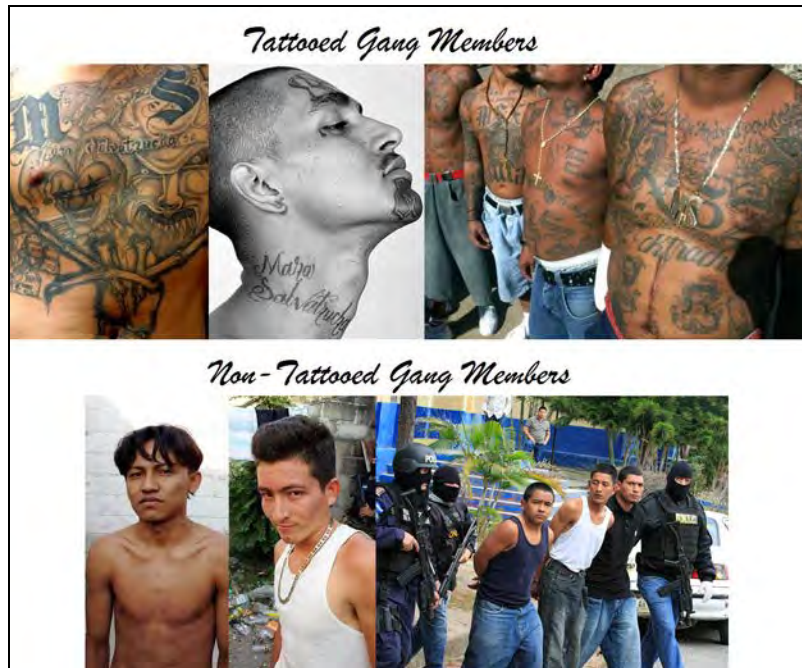


Figure 2. Gang Members Evolution

*Source:* Created by author with photos from La Prensa (April 13, 2014), <http://www.laprensa.hn/sucesos/policiales/637336-98/caen-en-honduras-supuestos-pandilleros-salvadore%C3%B1os>; Televiscentro.hn (April 23, 2015), <http://televiscentro.hn/nota/2015/4/23/alerta-en-honduras-por-el-posible-ingreso-masivo-de-pandilleros-salvadore%C3%B1os>.

Economic power, organizational structure and contacts have made the MS-13 gang, the most dangerous operating in the country. This gang has gained great economic power and has expanded its operations in the main cities of the country in a subtle and undetected way. An example of the brutality of this gang is the slaughter executed in Chamelecón in December 23, 2004, where 28 people were killed as a protest and a warning against the government, most of them women and children, as described by Ana Arana:

Last December, a bus driving through the northern city of Chamelecón in Honduras was stopped by gunmen. The assailants quickly surrounded the bus and

opened fire with their AK-47s, killing 28 passengers. The attackers, police later revealed, had been members of a notorious street gang known as Mara Salvatrucha (or MS-13) and had chosen their victims at random. The slaughter had nothing to do with the identities of the people onboard; it was meant as a protest and a warning against the government's crackdown on gang activities in the country. (U.S. officials subsequently arrested Ebner Aníbal Rivera-Paz, thought to be the mastermind of the attack, in February in the Texas town of Falfurrias.) The attack and the subsequent arrest were only the latest sign of the growing power of Central America's gangs and their ability to shuttle between their home countries and the United States [translated by the author].<sup>37</sup>

Moreover, until recent years, the main task of MS-13 gang was to protect the cocaine shipments coming from South America, which after landing in the country automatically became property of Mexican cartels. However, the MS-13 has established a new working relationship or unprecedented alliance with the Mexican cartels. More lucrative and favorable arrangements have been reached for both *Los Zetas* and MS-13 in their unlawful activities. All the weapons MS-13 required to be sold to the Mexican cartels are clandestinely bought mainly in Nicaragua, Honduras, and El Salvador.<sup>38</sup> Similarly, the gang keeps an efficient and independent structure for human trafficking in order to move immigrants and gang members to and from the United States.<sup>39</sup>

To support their illegal operations, gangs use the money received from unlawful activities to buy weapons, ammunitions, vehicles, and properties. The M-18 is the

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<sup>37</sup> Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs* (May/June 2005), accessed May 8, 2015, <https://www.foreignaffairs.com/articles/central-america-caribbean/2005-05-01/how-street-gangs-took-central-america>.

<sup>38</sup> Noticias Univision, "Gangs, The Link of Los Zetas," Univision.com, March 17, 2013, accessed October 15, 2014, <http://noticias.univision.com/article/1472772/2013-03-17/narcotrafico/reportajes/mara-salvatrucha-los-zetas-narcotrafico-el-salvador-mexico-estados-unidos>.

<sup>39</sup> Ariel Gustavo Forselledo, *Gangs and Human Trafficking* (Washington, DC: UNESU, 2006), accessed October 20, 2014, <http://unesu.info/ddnn.asu/trafico.maras1.pdf>.

organization that is running various criminal activities in Tegucigalpa, but is more engaged in hired assassinations. In the near past, this gang redefined its strategy to regain the lost territories and sparked a hunt for members of rival gangs such as the MS-13 gang. Furthermore, gangs have burned public service buses and motorcycle taxis in reprisal for both the reluctance to pay the “war tax” and actions that the government is taking against them. An example of this occurred in Tegucigalpa in the morning of June 4, 2014, when three gang members burned one bus from the route Carrizal-UNAH. They forced the passengers to get off the bus, poured gasoline all over the inside the bus and burned it leaving the driver locked inside the unit. Luckily, the driver could break the windshield to get out alive, but he suffered severe burns in various parts of his body.<sup>40</sup> In the same way, according to records of the National Commissioner of Human Rights, between 2012 and 2013, at least 174 violent actions were perpetrated against taxi units and motorcycle taxis, which left a balance of 231 victims.<sup>41</sup> Similarly, research conducted by the Observatory of Violence of the National Autonomous University of Honduras state that transportation is one of the most vulnerable field in terms of violent deaths. According to this institution, 783 drivers were killed between 2010 and 2014. The violence is attributed mostly to “war tax” collection. The main victims are bus and taxi drivers. Likewise, the Director of the Institute for Democracy, Peace and Security,

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<sup>40</sup> La Tribuna, “Gang Members Burn Bus in Boulevard Fuerzas Armadas,” June 5, 2014, accessed September 22, 2014, <http://www.latribuna.hn/2014/06/05/mareros-queman-rapidito-en-pleno-bulevar-fuerzas-armadas/>.

<sup>41</sup> Hondudiaro, “103 Dead and 11 Wounded Leave Urban Transport in 2013,” March 10, 2014, accessed October 5, 2014, <http://hondudiaro.com/?q=node/7345>.

Migdonia Ayestas, reported that crimes committed against drivers increased during 2014 by 23 percent.<sup>42</sup>



Figure 3. Bus burned by gang members

*Source:* La Tribuna, “Gang Members Burn Bus in boulevard Fuerzas Armada,” June 5, 2014, accessed September 22, 2014, <http://www.latribuna.hn/2014/06/05/mareros-queman-rapidito-en-pleno-bulevar-fuerzas-armadas/>.

Additionally, recruitment of new members is one of the objectives of gangs. Recruitment does not distinguish sex or age. Now six or seven year olds are candidates for the ranks of these criminal groups. As stated by Gilberto Aníbal Benítez, Superintendent of the Board of Education of the department of Cortés, gangs use elementary, junior and high schools as seedbeds in order to recruit more members:

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<sup>42</sup> Ariel Torres Funes, “Every 44 hours a Driver is Killed in Honduras,” *Prensa Universitaria: El Periodico de la Reforma*, March 11, 2015, accessed March 15, 2015, <https://presencia.unah.edu.hn/seguiridad/articulo/cada-44-horas-asesinan-a-un-transportista-en-honduras>.



The problem has come to kindergartens, elementary and high schools in all their journeys. Everything is contaminated. The problem is that the child since childhood is called and prepared by gangs. Whoever does not respond to that call by simply refusing to join the gang is murdered. Similarly, there are many cases to tell about teachers who are controlled by gangs. One female teacher had to be transferred to another school. Her life was in danger. Teachers are powerless, at the mercy of these groups. Urgent actions are needed to prevent further attacks on teachers, parents, and students. Gangs are lurking harder every day. We have found weapons, drugs, and marijuana. Diabolical signs are painted on school walls [translated by the author].<sup>43</sup>

In the same way, the Gangs Unit of the National Police estimated that at least 40 percent of the student population of schools in San Pedro Sula sympathizes with these criminal groups and 10 percent would join them.<sup>44</sup> The National Police is taking security measures in order to protect both students and teachers, by establishing checkpoints near the schools during entry and dismissal.

Moreover, more than half a million robberies are committed annually in Tegucigalpa and Comayagüela. Gangs are expanding their domains and to do so they use funds from extortion and blackmail. Phone calls with threats or fraud have become one of the largest sources of income of these antisocial groups. Gang members use three different methods to blackmail people by phone: (1) ask for cash, (2) ask to recharge a prepaid phone, (3) ask for direct deposit in bank accounts. Now, people are afraid to

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<sup>43</sup> Xiomara Daniela Orellana Bueso, "Honduran Gangs Recruit Children at the School Gates," *Cosecha Roja*, September 10, 2012, accessed October 5, 2014, <http://cosecharoja.org/las-pandillas-hondurenas-reclutan-ninos-en-las-puertas-de-las-escuelas/>.

<sup>44</sup> Ibid.

answer incoming phone calls from unknown numbers. Billy Joya, security analyst, stated that extortionists can collect up to US\$114 million a year:<sup>45</sup>

It is not possible to give an exact estimate, but projections indicate that an extortionist has the ability to make 50 calls a day, some from the prison. If those 50 yield 20 payments of 500 lempiras each (US\$24), one can say that extortionist can collect 10,000 lempiras (US\$476) everyday, which would represent 200 million lempiras (US\$9.5 million) every month and 2,400 million lempiras (US\$114 million) yearly [translated by the author].<sup>46</sup>

According to a report by the National Commissioner for Human Rights, Dr. Ramón Custodio, the rates of insecurity and violence in Honduras reveal that every day 16 Hondurans are murdered. During a press conference, Dr. Custodio revealed that in a period of five years there were 53,403 complaints concerning violations of human rights. Of this figure, 3,907 complaints were filed against police officers and 2,868 against agents of the National Directorate of Criminal Investigation (NDCI). This report also states that at least 9 of 10 citizens distrust the police on suspicion of being associated with criminals. In response, 65.8 percent of respondents stopped going out at night due to fear of becoming a victim of criminals, 41 percent of Hondurans decided to install more secure locks in their homes, to have a watchdog, or to install railings and fences in their homes. In cases of people who have been victims of theft, 79 percent said they did not file the report because it was a waste of time, as well as not having evidence, and because

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<sup>45</sup> El Herald, “17500 Microenterprises were Closed due to Blackmail,” May 7, 2013, accessed February 22, 2015, <http://www.elheraldo.hn/alfrente/328423-209/17-500-microempresas-cierran-por-chantaj>.

<sup>46</sup> Ibid.

it is a long and difficult process. Another factor for not filing the report is mistrust of authority, fear of the aggressor and fear of extortion.<sup>47</sup>

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<sup>47</sup> El Herald, “Disturbing Security Situation in Honduras: Every 88 Minutes a Person is Murdered,” *America Economía*, October 20, 2010, accessed February 21, 2015, <http://www.americaeconomia.com/politica-sociedad/mundo/inquietante-situacion-de-inseguridad-en-honduras-cada-88-minutos-asesinan-un>.



According to data from NDCI, gangs operate in 244 neighborhoods along 14 cities in Honduras. In Tegucigalpa, gangs operate in 62 neighborhoods. In figure 4, MS-13 territories are shown in green color, M-18 territories are shown in red color, and Los Chirizos territories are shown in yellow color. Areas pink colored are used as corridors of operation of M-18. They do not live there, but collect “war tax” from businesses located in those areas. Based on the information in the map, M-18 is the biggest criminal organization operating in Tegucigalpa. However, MS-13 has began a territorial dispute in order to regain some areas they previously controlled.

### Background of “War Tax” Collection in Honduras

The threat of extortion via “war tax” collection is a phenomenon that began at the beginning of the year 2000. Youth criminal gangs invented a new mechanism to steal money from people in order to increase their organizational structure, as well as financing their illegal activities. Initially, this taxation was directed exclusively to owners of taxis and inter-urban buses, who had to pay a determined amount of money in order to work freely. If they refused to pay the money, they could be murdered by gang members. From that moment, both taxi and bus drivers began to be subjected to criminal attacks in their own workplaces and, in some extreme cases, a relative of the person who had refused to pay the money was murdered. A few workers of this economic sector, with the support of users, began to report this “taxation” to the media and security authorities.

It is important to point out that the “war tax” is an amount of money stipulated by criminal gangs that must be paid by the victims either weekly or monthly. A considerable number of people have been killed for refusing to pay. Initially, this criminal activity was unreported by victims because of fear of being murdered by members of these criminal

groups. In addition, victims were threatened that they or their family would be murdered if they complained to the appropriate authority. Over time, gang leaders understood the economic benefits resulting from this mechanism, so they decided to extend the taxation to small and medium businesses, as well as to exclusive residences. In addition, product vendors, churches, and workers of companies that provide public services began to be targeted by this illicit activity.

Thus, extortion has become almost an industry. Criminals conduct investigations of the richest persons and trading centers in order to apply another method of extortion: blackmail by telephone. Victims are forced to deliver a certain amount of money in exchange for their temporary removal from the roster of persons selected to be murdered. However, people began to identify the perpetrators of this crime, which led to the capture of those individuals who tried to collect the illegal rent. Moreover, some investigations revealed that several members of the National Police were in collusion with gang leaders who let them operate with impunity in exchange for receiving part of the millionaire income of “war tax” collection. This situation was denounced by Police Commissioner (Ret) María Luisa Borjas, former Chair of Internal Affairs of the National Police, who stated that one of the highest ranking police officer received 950,000 lempiras (about US\$45,000) monthly as a result of “war tax” collection. As she stated “How will officials want to confront this taxation if this means profit for them? As I know, not only one police officer is involved. There are many officials, not only of the National Police, but

all kinds of officials are involved in the ‘war tax’ collection. That is why there is no will to eradicate this evil [translated by the author].”<sup>48</sup>

Similarly, Matías Funes, sociologist and member of the *Comisión de Reforma para la Seguridad Pública*<sup>49</sup> (Commission for Public Security Reform), stated that there are some sectors within the National Police that either are colluding with criminals or the police officers themselves are criminals. According to Funes, the population does not trust the police.<sup>50</sup> Moreover, several taxi companies closed due to failing to meet the gangs’ requirements. Many bus and taxi drivers made the decision to flee because they were afraid to be murdered by gang members. According to reports from a leader of taxi drivers, who gave anonymous statements to newspaper *El Herald*o, from 100 taxi companies that were operating in Tegucigalpa at least 10 closed due to the murder of some of the drivers who refused the payment of what they call “death tax.” As he said, “Many drivers do not want to work anymore because we pay up to four rents to gangs

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<sup>48</sup> El Herald. “Police Collects War Tax,” May 7, 2013, accessed April 7, 2015, <http://www.elheraldo.hn/pais/332562-214/polic%C3%ADa-cobra-el-impuesto-de-guerra>.

<sup>49</sup> The Commission for Public Security Reform was installed by President Porfirio Lobo Sosa in order to depurate the National Police, which has been infiltrated by organized crime, the prosecution and the judiciary. The depuration of National Police was approved by Honduran National Congress on January 31, 2012 due to many denouncements that linked police officers with organized crime. This commission was integrated by three college professors: Victor Meza, Matías Funes, and Omar Casco, as well as Aquiles Blu, representative of the Government of Chile, and Adam Blackwell, representative of OAS. AFP, “Honduras: Installs Commission for Public Security Reform,” *E&N: Centroamérica y Mundo*, June 1, 2012, accessed April 8, 2015, <http://www.estrategiaynegocios.net/csp/mediapool/sites/EN/CentroAmericayMundo/CentroAmerica/Honduras/HNPolitica/story.csp?cid=473808&sid=1429&fid=330>.

<sup>50</sup> La Prensa, “Hondurans Have 50 Years Putting Up With A Corrupt Police,” August 15, 2013, accessed April 7, 2015, <http://www.laprensa.hn/honduras/tegucigalpa/333024-98/hondure%C3%B1os-llevan-50-a%C3%B1os-soportando-una-polic%C3%ADa-corrupta>.

and other independent groups that nobody knows where they came from [translated by the author].”<sup>51</sup>

Similarly, small and medium enterprises have been closed for fear that the owners would be killed. Also, many families have left their homes because of the same fear. Society in general has begun to demand from the government the implementation of stronger measures to counter this crime wave which is disrupting the lives and property of thousands of people. In general, this form of crime has led to the emergence of a number of criminal organizations that handle large amounts of money, which comes mostly from drug trafficking, but also from “war tax”.

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<sup>51</sup> El Herald. “War Tax Threatens the Circulation of Taxis in Tegucigalpa,” January 20, 2013, accessed March 27, 2015, <http://www.elheraldo.hn/metro/586960-213/impuesto-de-guerra-amenaza-circulacion-de-taxis-en-tegucigalpa>.



## CHAPTER 3

### RESEARCH METHODOLOGY

The previous chapter reviewed the literature that helps understand the problem under study in its context. This chapter presents the methodology used to conduct the research and explains how the information was collected and analyzed.

#### Research Type

This research is descriptive and analytical in nature. It is based on different sources of information including open sources and analyses prepared by professional and governmental security institutions. It was conducted using a qualitative approach, based on an in-depth analysis of collected data, in order to establish the behavioral patterns of criminals and their victims, and assess the feasibility of the actions and measures taken by the institutions of public safety.

#### Data Collection Methods

The collection of information took into consideration two different sources of information:

1. Open Sources: sources of public information. It is understood that open source information refers to any document with any type of content, fixed in whatever medium (paper, photographic, magnetic, optical, etc.), transmitted through various media (print, audio, audiovisual, social networks, etc.), and can be accessed digitally or in print mode and is made publicly available, whether it is sold or free.

2. Closed Sources: sources of confidential information for official non-public use. They are regulated by established counterintelligence measures to prevent access of

knowledge to unauthorized persons. These sources consist of both intelligence reports and intelligence analyses that have been prepared by security institutions, especially the Intelligence Directorate of the Joint Staff of the Armed Forces of Honduras (C-2) and the National Police.

## CHAPTER 4

### ANALYSIS

This chapter contains a summary of the evolution of “war tax” collection in Honduras, as well as the identification of key locations where this illicit tax is collected. Similarly, it contains the main actions taken by security institutions responsible for confronting this scourge. In addition, this chapter includes an analysis and an assessment of the impact of this illegal taxation and its effects on both the economy and public security in Tegucigalpa and Comayagüela, as well as at national level.

#### Evolution of “War Tax” Collection

Widespread corruption, lack of employment opportunities and noticeable institutional weaknesses, which combined with current geopolitical differences among Central American countries such as border disputes, have given rise to the expansion of both drug trafficking and transnational organized crime. These emergent threats hinder the chances of success for strategies implemented by security institutions in Central America. Countries such as Honduras, El Salvador, and Guatemala face major threats due to the proliferation and mutation of the gangs’ modus operandi, which provide the muscle in the unlawful activities of organized crime. This alarming situation is concisely stated by Juan Luis Florido, Guatemalan Attorney General:

Two years ago, gangs were merely neighborhood organizations limited to urban violence that any country in the world could have, but gradually they were becoming the criminal arm of organized crime and contributing to maintaining a state of chaos and anxiety within the population. People are starting to suffer the consequences of a structured organization, which was structured through financial

support and that support comes from the organized crime and drug trafficking [Translated by the author].<sup>52</sup>

In the same way, the head of the operations workshop of Guatemalan Civil National Police, Henry López, agreed with the attorney general in remembering some events that involved gang members: “The structure that gang members use to collect the bus circulation tax, as well as a trade tax in different areas along the country, and the acquisition of weapons, make one assume that there is some organization funding them [Translated by the author].”<sup>53</sup>

Currently, both public and citizen security are the biggest concern for the Honduran government since the level of crime has not diminished. This situation is affecting the population significantly, mainly in major cities such as Tegucigalpa-Comayagüela, San Pedro Sula, and La Ceiba where their criminal activities are becoming more evident.<sup>54</sup> These cities have become the most populated areas in the country due to migration from the countryside by people attracted by the hope of better employment opportunities and a better quality of life. Instead, this migration has contributed to an increase in the crime rates since their employment prospects are dim and the need for money tempts many them to commit crimes. Additionally, in these cities, the crime rate

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<sup>52</sup> AFP, “Guatemalan Prosecutor States that Gangs are the Armed Wing of Organized Crime,” *Cronica.com.mx*, June 29, 2005, accessed February 12, 2015, <http://www.cronica.com.mx/notas/2005/189406.html>.

<sup>53</sup> Ibid.

<sup>54</sup> U.S. Department of State, *Honduras Travel Warning* (Washington, DC: Bureau of Consular Affairs, 2015), 11.

has maintained its upward trend compared to previous years.<sup>55</sup> Also, organized crime has diversified its forms and now includes extortion. This crime has spread throughout the country and even penetrated into public and private institutions, becoming virtually an industry with large profits for criminal organizations. The most common ways to commit this crime are:

1. Extortion by the so-called “war tax” collection, carried out against owners of businesses, residences, and religious centers among others, particularly against public service transportation. This is an illegal fee people have to pay either weekly or monthly to criminal organizations.

2. Telephone extortion, the purpose of this extortion is to obtain money through threats of murder. Extortionists obtain information about the person such as name, address, and telephone number. These data are obtained mostly through many sources such as basic service companies, direct surveys, business cards, classified advertisements, social networks (Facebook, Instagram, Tweeter, etc.), and direct interviews via telephone, among others. In some cases, extortionists deceive people by telling them that they have won a money prize, but they have to pay shipment for this prize or request a bank account number to deposit the money, they use the account number to steal the money. In other cases, extortionist threaten to kill victims or their family and request money by recharging prepaid cellphones. Usually this method is used by criminals from prisons.<sup>56</sup>

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<sup>55</sup> Observatorio de la Violencia, *National Newsletter* (Tegucigalpa: UNAH, 2014), accessed May 1, 2015, <http://www.iudpas.org/pdf/Boletines/Nacional/NEd32EneDic2013.pdf>.

<sup>56</sup> Emisoras Unidas, “80 Percent of Extortions Come from Prisons,” February 20, 2014, accessed February 27, 2015, <http://noticias.emisorasunidas.com/noticias/nacionales/80-ciento-extorsiones-proviene-desde-carceles#>.

Collection of “war tax” and telephone extortion are the crimes that most affect people, especially merchants, as well as public transportation drivers. In recent years, criminality has increased to the point that extortionists collect “war tax” from schools, convenience stores, and even churches. The Chairman of the Association of Ministers of Evangelical Churches, Arnaldo Linares, complained that they are victims of extortionists and even some preachers have been threatened with death due to not being able to pay the fee.<sup>57</sup> The same situation was denounced by Juan Angel López, Catholic vicar, who stated that they are worried because they are becoming victims of extortionists. As he stated, “We are worried about crime, our people are dying, we have to conduct burials of people linked to the church and many priests have been extorted [Translated by author].”<sup>58</sup>

Extortion is the preferred method used by criminal gangs such as MS-13, M-18 and others to raise money. It has grown significantly to reach very high levels. This crime began in the suburb areas and poorest neighborhoods in San Pedro Sula and Tegucigalpa, but it has reached wealthy residential areas. These criminal groups are keeping society in anguish without distinction of social classes and threatening the formal and informal corporate sector throughout the country. Victoriano Carranza, Leader of Small and Medium Enterprises, stated that many business are forced to close due to extortion:

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<sup>57</sup> Radio America, “Neither the Churches are Spared from Paying Extortion in Honduras,” March 14, 2013, accessed January 20, 2015, <http://radioamericahn.net/2013/03/14/ni-las-iglesias-se-salvan-del-pago-de-extorsiones-en-honduras/>.

<sup>58</sup> El Heraldo, “Extortions Leave L.1,200 Million per Year to Gang Members in Honduras,” May 15, 2013, accessed January 13, 2015, <http://www.elheraldo.hn/pais/328424-364/extorsiones-dejan-al-a%C3%B1o-11200-millones-a-mareros-en-honduras>.

We [micro and small enterprise owners] are the most affected since 97 out of 100 micro enterprises are closed in the first 10 months. They do not last even one year in operations. Meanwhile, medium enterprises defend themselves a bit more because they have private security and camera security systems [Translated by the author].<sup>59</sup>

Criminal organizations have introduced extortion as a new way to affect a population that is already struggling with kidnappings, burglaries, armed robberies in public areas, and aggravated assaults, among other crimes. In addition to that, the increase in organized crime activities such as drug trafficking, car theft, carjacking, the hiring of hitmen, money laundering, and a host of related crimes do not directly affect most of the population but create an atmosphere of terror that makes people live in fear, especially young people who see friends, brothers, classmates, and relatives being killed.<sup>60</sup> Extortions through “war tax” collection are made in most of the neighborhoods in the main cities and even in some small towns in the countryside. Forty-seven percent of “war tax” collectors are teenagers or women who at first glance seem harmless.<sup>61</sup>

Tegucigalpa and Comayagüela host the largest number of public and private employees due to being the political center of the country. The population in these cities represents a potential target for criminals because they have stable jobs and more

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<sup>59</sup> El Heraldo, “Extortion Causing Mass Closure of Businesses in Honduras,” March 4, 2013, accessed April 9, 2015, <http://www.elheraldo.hn/pais/328301-364/extorsiones-provocan-el-cierre-masivo-de-negocios-en-honduras>.

<sup>60</sup> Suyapa Guadalupe Banegas, “Young Live in Fear of Violence,” Seminario FIDES, June 16, 2014, accessed March 15, 2015, <http://semanariofides.com/2014/06/16/atemorizados-por-la-violencia-viven-los-jovenes-hondurenos/>.

<sup>61</sup> Karen Reyes, “47 Percent of Extortionist in the Country are Women and Minors,” *HRN La Voz de Honduras*, April 27, 2015, accessed May 14, 2015, <http://www.radiohrn.hn/l/noticias/el-47-por-ciento-de-los-extorsionadores-del-pa%C3%ADs-son-mujeres-y-menores-de-edad>.

acquisition capability for goods and services. Owners of convenience stores and other small businesses complain about the illegal payments they are subjected to by criminal bands. Others less fortunate citizens, as the case of a prominent lawyer who ran a used-car lot and was murdered due to his refusal to pay US\$250 that gang members demanded as “war tax”.<sup>62</sup> The gangs’ modus operandi is, initially, to contact their victims by telephone communication. An example of this technique is described by Kyra Gurney in her article “What an Extortion Call in Honduras Sounds Like”, taken from an audio recording obtained by the Honduran media:

A man who identifies himself as “Mafia,” the leader of a gang with the same name, demands that the owners of a bus company pay him around \$4,760 and a weekly “war tax.” “If not,” the criminal states, “we are going to have it out with the owners of the buses and we’re going to burn them alive.” During the call, “Mafia” tells the victim to meet him the following day at 11 a.m. and warns him not to contact the police or turn off his cellphone. He then describes threats the gang carried out in two of Tegucigalpa’s most violent neighborhoods, La Torre and Flor de Campo. “We charged [another bus company] rent in Flor de Campo and we killed one of them because they didn’t believe us at the beginning. So if you don’t believe us, listen to me closely, because later I’m going to make you listen...if you don’t believe us the same thing is going to happen to you as happened in La Torre and Flor de Campo with me, get it?”

The extortionist then passes the phone to a man he identifies as his gunman, who also threatens the victim. “If you don’t cooperate with us there will be a death tomorrow, do you understand?” the assassin says. “You have to take what Mafia said seriously because Mafia only has to say the word [to have you killed]. Are you listening to me? Because I’m going to take care of you . . . [and] blow your brains out,” he adds.

The gunman then passes the phone back to “Mafia” and the victim asks “Mafia” if he can pay half of the extortion fee because he won’t be able to get all of the money together by the following day. “Look,” the extortionist says. “It works like this. Here the gang has rules. I’m not going to let you pay half but we are going to help you, you are only going to give us 80,000 lempiras [around \$3,800 dollars].”

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<sup>62</sup> La Prensa, “Lawyer Would Have Been Threatened by Gang Members,” February 24, 2011, accessed March 10, 2015, <http://www.laprensa.hn/sucesos/546353-97/abogado-habria-sido-amenazado-por-mareros>.



In a final effort, the victim asks if he can make the payment in two installments, to which the caller simply replies: “You are not going to pay it in two payments.”<sup>63</sup>

This phone call illustrates methods used by criminals to extort people. The criminal is the leader of an extortionist gang which focuses on transportation who was identified by the National Antiextortion Force (NAF) as Orlin Javier Alvarado Peralta, alias Mafia. He made the phone call from prison. In the recording, the gang member could be telling the truth about the attack on another bus company; however, he could be taking advantage of an event he watched on the news, but that is something the victim does not know with certainty. Usually, victims of extortion have available cash, work in dangerous zones, but lack both protection and information on which to base the decision to pay or ignore the call.

Bus and taxi drivers must pay “war tax” as well. Some of them have considered quitting since they hardly make enough money to pay the imposed fee. At least 350 employees of this economic sector were murdered between 2010 and 2014, and 80 percent of these deaths have been related to extortions.<sup>64</sup> Such was the case of Benjamin Alvarez Moncada a 68-year-old who was murdered by a 15-year-old hitman:

When the shooting stopped, a crowd gathered around the bleeding body of “Don Mincho”, slumped over the wheel of taxi #322. A driver began to shout and

[illegible]

<sup>64</sup> Michael Lohmueller, “Extortion to the Public Transportation Sector in Honduras Generates US\$27 Millions: Government,” *InSight Crime*, February 18, 2014, accessed December 18, 2014, <http://es.insightcrime.org/noticias-del-dia/extorsion-al-sector-de-transporte-de-honduras-genera-us-mn-al-ano-gobierno>.

took off after the shooter, quickly joined by other bystanders and a policeman. As the boy broke into a run, an onlooker stuck out his leg and tripped him a block from the taxi stand, a witness recounted. The officer grabbed him and returned him to the scene.

Suddenly the crowd grew enraged. "A big group of people piled on top of the boy and began to beat him with their hands and sticks ... The policeman couldn't protect him."

And they would have [killed him] if a pickup truck full of police hadn't arrived to load the boy into the back, his face and body already mangled from the blows. As the truck pulled away, taxi drivers shouted after him, "We know what you look like, bastard. When you get out we're going to kill you." Yellow police tape went up around the crime scene. Angry drivers demanded silence at the site of the killing, then took their taxis to block traffic throughout the city of narrow winding roads, as though chaos could quiet the feelings of impotence. "We can't take it anymore," one of the drivers said through tears. "It could have been me." Hours after the shooting, outside the New Dawn church where their friend's casket lay open to visitors, the taxi collective appointed one of its members to tell the back story of Don Mincho's violent death, and the fear all the drivers feel, on the condition that he not be identified. "They break the one who is brave enough to speak," a member of the collective said. The extortion began six years ago. Each week, the collective hands an envelope with 5,500 lempiras -- about \$260 -- to a boy who collects it on behalf of a criminal ring that they believe to be the 18th Street gang. That's about 150 lempiras per driver, who is lucky to make 500 lempiras on a good day. "Two weeks ago, we got a call asking us for 20,000 lempiras (about \$1,000)," the driver explained. The drivers didn't pay. They said they didn't have any more to give. They had children to feed, families to support. They were desperate. So for the first time, they filed a police complaint. "They killed Don Mincho because he was first in line. It was nothing against him. They attacked the collective, not the person. And if we go back tomorrow, they'll kill another one of us." Leaving the collective or changing jobs isn't an option, the drivers say. They've been taxi drivers for decades and, besides, there is no work in Honduras, where two out of three people live in poverty on less than \$1.25 a day. On Thursday [two days later], the Los Dolores-El Bosque taxi stand stood empty. And one driver said he saw only two possible solutions to their predicament: "Pay the 'war tax' (to the gangs) or emigrate to the United States." More likely, the drivers would find a way to pay the extortionists the 20,000 lempiras they'd demanded before Don Mincho was killed.<sup>65</sup>

Actions taken by people after this murder show that the population is getting tired of the insecurity situation and may start trying to make justice by their own hands.

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<sup>65</sup> Alberto Arce, "Death of a Honduran Taxi Driver," *The Big Story*, November 21, 2013, accessed April 15, 2015, <http://bigstory.ap.org/article/death-honduran-taxi-driver>.

Furthermore, it proves that gangs have been extorting transportation companies for a long time and employing young people as hitmen in order to intimidate their victims.

According to reports from National Police, public transportation operating in Tegucigalpa and Comayagüela pays US\$1.2 million monthly to the criminal organizations as “war tax”, which is equivalent to almost US\$15 million yearly. Meanwhile, in San Pedro Sula, 1,700 buses and 5,200 taxis pay up to US\$1 million monthly, which is equivalent to almost US\$12 million yearly. There are 130 taxi companies in Tegucigalpa and each of them pays between US\$1,500 to US\$3,000 monthly.<sup>66</sup> As stated by a bus driver, there are small extortion groups in the neighborhoods that take possession of real state, start businesses and even force taxi owners to transfer to them the taxi number and the registration certificate:

It is a business of fear. They are well-dressed, use late-model SUVs, and even study in college, but they are nothing more than extortionists and murderers. These are organizations specialized in terror. They coordinate every movement, never show their faces because they use others to collect the money and manage their businesses [Translated by the author].<sup>67</sup>

Nonetheless, extortionists do not cease in their crimes. They have tried to extort even employees of basic service companies. A high authority of the National Autonomous Service of Aqueducts and Sewers (SANAA, acronym in Spanish) complained that gang members prevent them from reading water meters in many sectors

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<sup>66</sup> El Heraldo, “Buses and Taxis would Finance Organized Crime in Honduras,” February 17, 2014, accessed December 18, 2014, <http://www.elheraldo.hn/csp/mediapool/sites/ElHeraldo/Pais/story.csp?cid=702738&sid=299&fid=214>.

<sup>67</sup> El Heraldo, “Extortion Attacks ‘Chicleras’ and Small Convenience Stores,” March 14, 2013, accessed February 10, 2015, <http://www.elheraldo.hn/csp/mediapool/sites/ElHeraldo/Metro/story.csp?cid=587187&sid=298&fid=213>.

of Tegucigalpa unless they pay “war tax”.<sup>68</sup> This situation not only affects SANAA that offers water services, but also the people who remain without water services due to accumulated arrears. Gang members have even requested “war tax” fee from employees working in SANAA offices located in Comayagüela, which led to Interinstitutional National Security Force (FUSINA, acronym in Spanish) members being taken to safeguard the facilities.<sup>69</sup>

Furthermore, small traders engaged in the informal economy must also pay “war tax”. Even the so-called “*chicleras* and *tortilleras*”<sup>70</sup> are forced to pay up to US\$100 monthly. As stated by one woman interviewed by a Honduran newspaper she said that she wakes up at 4:00 am every morning, accompanied by her daughters, in order to cook tortillas for selling. However, her profits have been diminished because she has to pay “war tax” to gangs. She said with fear, tears in her eyes, and her head down: “I do not like to talk about this, I want to mourn. It [the money] is not enough even to buy school books for my children. Get out of here, I do not want problems, the eyes of gang members are everywhere [Translated by the author].”<sup>71</sup>

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<sup>68</sup> Proceso Digital, “Extortions and War Tax, Forms of Crime on the Rise in Honduras,” August 10, 2011, accessed January 25, 2015, <http://www.proceso.hn/component/k2/item/48833.html>.

<sup>69</sup> Tiempo, “Honduras: Due to Extortion Threats SANAA Facilities were Militarized,” February 11, 2015, accessed March 5, 2015, <http://www.tiempo.hn/sucesos/item/18912-por-amenaza-de-extorsi%C3%B3n-militarizan-instalaciones-del-sanaa>.

<sup>70</sup> Chiclera, is a person who sells snacks, cigars, and candies in populated sidewalks. Tortillera, is a person who cook tortillas in her house and sell them in neighborhoods and markets.

<sup>71</sup> El Herald, “Extortion Attacks ‘Chicleras’ and Small Convenience Stores.”

A similar situation was described by the owner of a small business food selling who pays up to US\$250 monthly of “war tax”. He stated that he pays the money to preserve his life and the lives of his family. According to this humble merchant, the situation is more difficult every day. He has tried to close the business many times, but gang members have warned him not to close or some member of his family could die:

There have been times that I paid the “war tax” with borrowed money. No one has a business with good profits anymore. Both the economic crisis and the increase of crime have broken investments. It is that the ironic National Police says that crime has to be denounced, but one cannot trust the police [Translated by author].<sup>72</sup>

Notwithstanding, contrary to previous years when the main protagonists of this criminal activity were the largest gangs in the country, other criminal groups have evolved. An agent of the police intelligence unit revealed that some criminal organizations previously engaged in kidnapping, assault, and car theft are now involved in extortion. These criminal organizations identify themselves as gangs in order to instill fear and ensure the payment of the money required.<sup>73</sup> Many extortionists who are not gang members have been caught. Some cases that can be mentioned are:

1. Edgardo Ramón Vasquez Medina, president of an Association of Transportation Companies, was caught by members of the NDCI because he extorted his peers by the “war tax” collection.<sup>74</sup>

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<sup>72</sup> Ibid.

<sup>73</sup> El Heraldo, “Every 12 Hours is an Extortion in Honduras,” March 4, 2013, accessed January 6, 2015, <http://www.elheraldo.hn/csp/mediapool/sites/ElHeraldo/Sucesos/story.csp?cid=621810&sid=293&fid=219>.

<sup>74</sup> Proceso Digital, “Transportation Leader Caught by Collecting War Tax among his Peers,” October 25, 2012, accessed December 20, 2014, <http://www.proceso.hn/>

2. The NAF caught José Antonio Matute Arriaga, a taxi driver who was responsible for collecting the money from his teammates in order to hand it to the alleged gang members, but in fact he was the extortionist. More than 38 taxi drivers were extorted by Matute Arriaga in a neighborhood of Tegucigalpa.<sup>75</sup>

3. Darwin Orlando Mejía Juárez was a taxi driver who extorted many taxi companies in El Progreso, Yoro. Members of NAF caught Mejía Juárez in possession of US\$1,200 that he had collected from a taxi company.<sup>76</sup>

4. Marco Antonio Vasquez Gonzales who worked for a cellphone carrier was caught by NAF. According to the investigations, his modus operandi was to collect information from customers of the company where he worked and proceed to extort and force them by death threats to deposit money in his bank account. He received at least 6 deposits daily.<sup>77</sup>

According to some NAF sources, 7 out of 10 extortions are committed by persons who are not gang members, but they pretend to be in order to intimidate citizens. In the

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component/k2/item/30674-Capturan-a-dirigente-del-transporte-por-cobrar-%E2%80%9Cimpuesto-de-guerra%E2%80%9D-a-sus-compa%C3%B1eros.html.

<sup>75</sup> La Prensa, “Caught by Extorting Coworkers,” January 27, 2014, accessed December 19, 2014, <http://www.laprensa.hn/sucesos/policiales/445007-98/lo-detienen-por-extorsionar-a-sus-companeros-de-trabajo>.

<sup>76</sup> Proceso Digital, “Taxi Driver Who Extorted his Teammates was Captured in Northern Honduras,” September 8, 2014, accessed December 19, 2014, <http://proceso.hn/index.php/component/k2/item/87353-capturan-a-taxista-que-extorsionaba-a-sus-compa%C3%B1eros-en-el-norte-de-honduras>.

<sup>77</sup> Tiempo, “Accused of Extortion: NAF caught another ‘Pinocho’,” December 18, 2014, accessed April 8, 2015, <http://www.tiempo.hn/sucesos/item/12040-acusado-de-extorsi%C3%B3n-fna-captura-a-otro-%E2%80%9Cpinocho%E2%80%9D>.

same way, telephone extortions are conducted based on information criminals have taken randomly, sometimes from the telephone company directory. A special agent stated,

Extortion is psychologically killing thousands of compatriots. The anguish extortion causes the victims is worse than kidnapping. Due to cowardice, many Hondurans have lost their house, their car, their business. They [extortionists] pretend to be gang members. Extortionists usually do not know the victim. In very few cases the victim is known by the extortionist. Seventy percent of the time [extortionists] use the name of gangs [Translated by the author].<sup>78</sup>

In the same way, NAF revealed that extortion in Honduras has been committed by three main groups: (1) gangs, (2) corrupt police officers, and (3) extortion networks that pose as gangs either MS-13 or M-18 in order to frighten the victims. The crime is more often performed by telephone, internet or notes sent to the victims asking for the extortion payment. Usually, victims are residents of poor areas, transportation companies and small and medium enterprises.<sup>79</sup>

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<sup>78</sup> Tatiana Paz, "Internet, New Extortion Way in Honduras," *LaPrensa.hn*, October 18, 2013, accessed January 27, 2015, <http://www.laprensa.hn/honduras/apertura/393098-96/por-internet-nueva-forma-de-extorsionar-en-honduras#panel1-3>.

<sup>79</sup> Daniela Castro, "Common Criminals Posing as Maras Driving Honduras Extortion," *InSight Crime*, October 21, 2013, accessed April 10, 2015, <http://www.insightcrime.com/news-briefs/common-criminals-the-most-prevalent-extortionists-in-honduras>.



Figure 5. Note Sent to a Victim of Extortion

*Source:* Diario Roatán, “NAF Identifies at Least 50 Bank Accounts of Extortionist” [DiarioRoatan.com](http://diarioroatan.com/node/2392), March 31, 2014, accessed May 10, 2015, <http://diarioroatan.com/node/2392>.

The message in the note states, “To avoid calling you on the landline. Bank [redacted]: 634-70103836-496. Three deposits of 800 lempiras [about US\$39 each deposit]. This is not a game. Next, you die. 9032478423: I will call you from this number [Translated by the author].”<sup>80</sup> Security institutions have detected many extortion cases in which extortionists send notes with bank account numbers for victims to deposit the money. The note is an example of the methods used by extortionists, usually gang members, to request money from the victims by death threat. This method allows them to

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<sup>80</sup> Diario Roatán, “NAF Identifies at Least 50 Bank Accounts of Extortionists,” [DiarioRoatan.com](http://diarioroatan.com/node/2392), March 31, 2014, accessed May 10, 2015, <http://diarioroatan.com/node/2392>.



evade money deliveries controlled by NAF. However, the success of extortionists who are not gang members reveals that criminality is fed by the feeling of insecurity on the part of the victims. Furthermore, if the figures of the NAF are correct, nowadays the main extortionists in Honduras are not the gangs, widely blamed for the security crisis of the country, but entrepreneur criminals who have taken advantage of the feeling of fear and insecurity that gangs have instilled among the population. The National Police Force is often unhelpful since some police officers are tied to organized crime activities to include drug trafficking and hired assassinations, and some of them are involved in extortions. This situation was denounced by the vice president of the Honduran Congress who claimed that police chiefs said up to 40 percent of their officers are involved in organized crime.<sup>81</sup>

Even though extortion is not a new phenomenon in Honduras, it has evolved not only by the proliferation of extortion networks but by changing methods used by criminal organizations such as the use of internet and cellphones. Money collection within neighborhoods controlled by gangs has been a common practice in Honduras. This is the main financing source for gangs that extort transportation companies, buses and taxis, as well as residents, businesses, schools and churches. According to security analyst Billy Joya, just in the capital city, Tegucigalpa, up to US\$5 million are collected every month.<sup>82</sup> This is shown in the next table:

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<sup>81</sup> Ronan Graham, "Honduras Politician: 40% Police Tied to Organized Crime," *InSight Crime*, July 20, 2011, accessed April 8, 2015, <http://www.insightcrime.org/news-briefs/honduras-politician-40-police-tied-to-organized-crime>.

<sup>82</sup> Billy Joya interview by Edgardo Melgar, "War Tax" Collection, TV news "Hoy Mismo," Tegucigalpa, Honduras, April 10, 2013.

Table 2. “War Tax” Collection in Tegucigalpa and Comayagüela		
<b>Victims</b>	<b>Monthly (US\$ Million)</b>	<b>Yearly (US\$ Million)</b>
Market Tenants	0.76	9.12
Businesses	2.38	28.56
Public Transportation	0.95	11.40
Telephone Extortion	0.90	10.80
<b>Total</b>	<b>4.99</b>	<b>59.88</b>

*Source:* Billy Joya interview by Edgardo Melgar, “War Tax” Collection, TV news “Hoy Mismo,” Tegucigalpa, Honduras, April 10, 2013.

These data show that the corporate sector is the most affected by extortion, especially micro and small enterprises that are forced to close due to inability to meet the monetary demands. The annual expenditure of over US\$28.56 million is curtailing both formal and informal economies in Honduras.

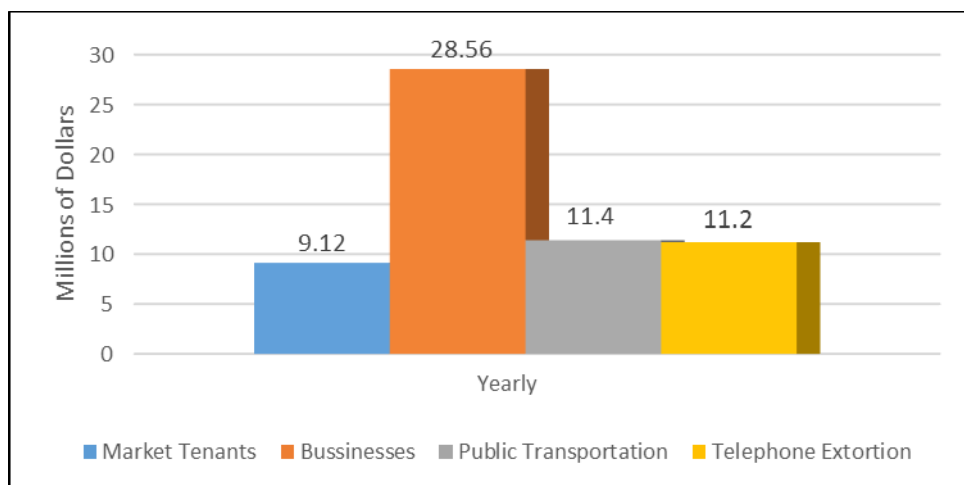


Figure 6. “War Tax” Collection in Tegucigalpa and Comayagüela Every Year

*Source:* Billy Joya interview by Edgardo Melgar, “War Tax” Collection, TV news “Hoy Mismo,” Tegucigalpa, Honduras, April 10, 2013.

The two main criminal associations, MS-13 and M-18, have marked their “territories” well, but their expansionist desire leads them to fight control of other areas in order to run criminal activities such as drug trafficking and extortion. Added to this, other criminal organizations have emerged such as Los Chirizos, El Combo que no se deja, and Los Benjamines, which also marked their territories in several neighborhoods, mainly in the north of the capital city. These organizations have similar characteristics to those of the two large gangs, especially their modus operandi to obtain money illegally. These groups are the protagonists of massacres, kidnappings, and macabre killings between rivals. Many innocent people to include bus drivers, taxi drivers, and traders, have become victims of criminals for refusing to make illegal payments. As a result of their criminal actions, gangs make large amounts of money. A proof of the amounts received by gangs is that NAF has prevented payments of more than US\$3 million between 2013 and June 2014.<sup>83</sup>

The Directorate of Intelligence of the Honduran Armed Forces (C-2), based on information obtained from the Center of Statistics of the Police Antiextortion Unit and NAF, has identified that collection of “war tax” activities is aimed mainly at bus stations, taxis, shopping centers, convenience stores, and in some cases specific people. According to this information, the extortionists, mostly gang members, handle administrative control by rosters of buses, stores, and houses with the amounts of money that should be collected. Similarly, they have established one specific day of the week for each sector to collect the money. The payments are collected by youngest gang members and sometimes either children or pregnant women. According to data recorded, some places

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<sup>83</sup> El Heraldo, “This Way Gangs Operate in the Capital City.”

with the highest incidence of this illicit activity, in the cities of Tegucigalpa and Comayagüela, are:<sup>84</sup>

1. La Pradera sector: collection of “war tax” is carried out by M-18. Main victims are taxi companies, which pay US\$250 monthly. Convenience stores, markets, and small business pay US\$50 monthly.<sup>85</sup>

2. Flor del Campo sector: collection of “war tax” is carried out by both M-18 and MS-13. Main victims are both taxi companies and bus drivers, which pay US\$250 monthly. Similarly, convenience stores, markets and commercial businesses pay US\$50 per month.<sup>86</sup>

3. Las Torres sector: collection of “war tax” is carried out by MS-13 to both taxi companies and bus drivers that pay US\$250 monthly. Convenience stores and mechanical workshops pay US\$50 per month.<sup>87</sup>

4. Suyapa sector: collection of “war tax” is carried out by Herlan Fabricio Colindres, alias Chelito, who is leader of the gang of extortionists who have charged up to US\$5,000 to owners of ironmongeries and US\$2,500 to bus drivers and taxi companies based in the National Autonomous University area.<sup>88</sup>

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<sup>84</sup> Directorate of Intelligence (C-2), *Intelligence Estimate*, Department of Analysis (Tegucigalpa, MDC: 2013), 6.

<sup>85</sup> Ibid., 8.

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

<sup>88</sup> Ibid., 9.

5. Altos de Santa Rosa sector: the “war tax” is levied by MS-13. The main victims are taxi companies that pay US\$250 monthly each. Convenience stores pay US\$50 monthly.<sup>89</sup>

6. In market areas, which includes Americas, Colon, and San Isidro markets, collection of “war tax” is carried out by Los Chirizos. They charge each market stall and each small store with US\$20 monthly.<sup>90</sup>

7. The Alvarez market area: is extorted by M-18, which charge US\$60 monthly to each market stall.<sup>91</sup>

8. In El Pedregal sector the “war tax” is collected by M-18 from all businesses, which pay up to US\$40 monthly. The monthly rates are as follows: taxis US\$60, convenience stores US\$40, minimarkets US\$200, and both Chinese restaurants and pawnshops US\$400.<sup>92</sup>

9. The 21 de Octubre sector is controlled by M-18, which charges every taxi and bus company US\$1,000 to US\$1,500 monthly.<sup>93</sup>

10. Los Llanos area is controlled by M-18. Taxi companies are charged a fee of US\$150 monthly, which usually is collected either on Monday or Friday.<sup>94</sup>

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<sup>89</sup> Ibid.

<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

<sup>92</sup> Ibid., 10.

<sup>93</sup> Ibid.

<sup>94</sup> Ibid.

11. Sector La Peña, La Aleman, San Isidro, and 14 de Marzo: all these sectors are controlled by M-18. Every month, they charge taxi companies with US\$60, convenience stores with US\$40, markets with US\$100, and Chinese restaurants with US\$200.<sup>95</sup>

12. Sector Villa, La Divagna, and Centro America: M-18 operates in this area charging taxi companies US\$60 monthly, convenience stores US\$40 monthly, markets US\$100 monthly, and Chinese restaurants US\$200 monthly.<sup>96</sup>

13. Bella Vista, Las Crucitas, Los Profesores, Los Trabajadores, 3 de Mayo, and Zonal Belen sectors: these areas are controlled by gang MS-13. They collect the “war tax” from the same type of businesses mentioned above and with the same fees.<sup>97</sup>

14. The area of Los Pinos, Iberia, and Torocagua is extorted by M-18.<sup>98</sup>

15. Policarpo Paz neighborhood is extorted by gang MS-13.<sup>99</sup>

Furthermore, this crime happens in many other areas within the cities of Tegucigalpa and Comayagüela.

#### Threats of “War Tax” Collection

The underestimation of the problem by Honduran governments, which have focused their resources to directly confront other problems, has allowed gangs to evolve and strengthen, becoming one of the strongest criminal structures in the country. Gangs

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<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

<sup>97</sup> Ibid., 11.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

collect money through intimidation of the victims by death threats if they do not meet the economic quotas assigned. They have even extorted whole neighborhoods where people either have been forced to flee or have resigned themselves to endure this illegal activity. These criminal organizations have become small governments in the shadows since they control many prisons and neighborhoods, have professionals in different fields, and in some cases, they have supplanted the authority of the government by imposing rules in commercial areas including the way traders and residents must dress and even comb their hair. An example of these rules is that MS-13 prohibited female traders to dye their hair.<sup>100</sup>

Extortion is causing strong negative effects on the Honduran economy. It has become a threat that forces business closures and thus increases unemployment rates and affects the national tax system. There have been cases where criminal organizations have displaced small and medium entrepreneurs, particularly transportation and restaurants. One method used is by forcing them to legally transfer the registration certificate of busses or taxis, otherwise they either burn the vehicle or murder the owner. In addition, the Honduran economy faces diverse and strong threats, especially drug trafficking and organized crime, which generate insecurity and fear among investors both domestic and foreign.

This insecure environment emotionally affects families and forces them to pay significant amounts of money in order to remain safe. Additionally, this crime has spread in such a way that there is no respect for people living in the poorest neighborhoods

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<sup>100</sup> El Herald, "Honduras: Gang Members Prohibit Female Traders to Dye Hair," April 21, 2015, accessed April 29, 2015, <http://www.elheraldo.hn/sucesos/833062-219/honduras-pandilleros-proh%C3%ADben-a-vendedoras-te%C3%B1irse-el-pelo->.

where higher incidences were detected recently than in previous years. Nowadays, criminal groups have transcended the places where they have traditionally operated and they have discovered new targets such as middle class residences and micro, small, and medium enterprises. Gangs control important economic areas such as the markets in Comayagüela, the commercial area in Kennedy Residence area, Tegucigalpa downtown and surrounding commercial areas to the Morazán Boulevard. In the same way, they are extorting the public transportation sector.

Extortion through “war tax” collection has been generating repeated violent deaths throughout the country either by retaliation against people who refuse to pay the money or by the dispute of territories among criminal organizations. Many families have become homeless due to being ejected from their homes for refusing to pay the money. The feeling of insecurity in the country is manifested in distrust and social isolation. Nobody wants to visit relatives or friends who live in neighborhoods controlled by gangs nor do public transportation service drivers want to enter these areas due to fear of being victims of criminals.

Although this crime has existed during the last 15 years, there has been a climate of fear by victims to report. However, as shown in the next graphic, created with data obtained from NAF, the number of reports has increased.<sup>101</sup> The cooperation of the

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<sup>101</sup> Daniela Castro, “Common Criminals Posing as Maras Driving Honduras Extortion.”



population through extortion reports has allowed security institutions to take action in order to reduce the incidence of this crime.<sup>102</sup>

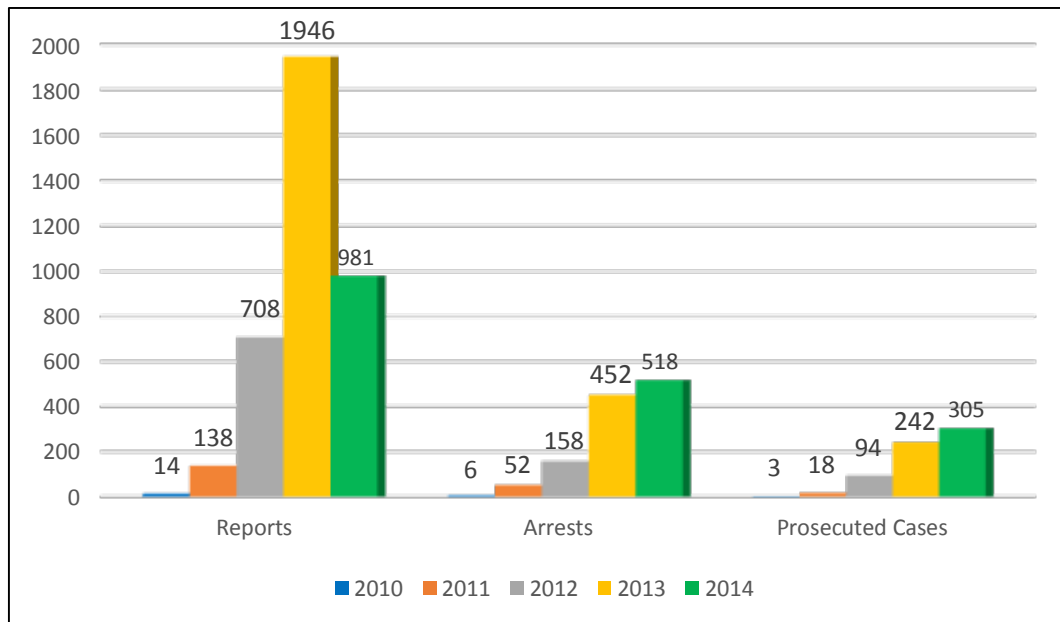


Figure 7. Reports and Actions Taken by Security Institutions against Extortion

*Source:* Created by author with data obtained from El Herald, “Honduras: 50% Down Reports of Extortion,” December 7, 2014, accessed April 6, 2015, <http://www.elheraldo.hn/sucesos/774669-219/honduras-50-bajan-denuncias-por-extorsi%C3%B3n>.

The graphic shows the increase in extortion reports as well as results from actions of security institutions, both arrests and prosecuted cases. The increase in extortion reports can be understood in two ways: first, the population is overcoming the fear to report, or, second, there has been an increase in extortion crime commission. However,

<sup>102</sup> El Herald, “Honduras: 50% Down Reports of Extortion,” December 7, 2014, accessed April 6, 2015, <http://www.elheraldo.hn/sucesos/774669-219/honduras-50-bajan-denuncias-por-extorsi%C3%B3n>.

extortion reports decreased during 2014, which could indicate that crime has decreased as a result of effective actions taken by security institutions due to the cooperation of the people by reporting.

### Government and Security Institutions Actions

As has been shown, one of the main challenges faced by Honduran society in terms of public and citizen security is the spread of extortion throughout the country. This threat is the result of criminal organizations, particularly gangs, which daily seek ways to finance their illegal activities. It is noted that Honduran government and security institutions have designed different strategies to counter this crime and return peace to the citizens. These strategies include the creation and organization of special units, the modification of laws, and direct actions against certain levels of the structures of criminal organizations, especially leadership.

On September 9, 2010, after the massacre of 18 young people in a shoe factory,<sup>103</sup> the President of Honduras and Commander in Chief of the armed forces ordered the Honduran Army and National Police to conduct combined patrols in the most troubled areas of main cities such as Tegucigalpa, San Pedro Sula and La Ceiba.<sup>104</sup> However, in November 2011, the Honduran Congress approved a new law to provide the Honduran Armed Forces temporary police functions in order to empower them to conduct raids,

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<sup>103</sup> La Prensa, “Honduras: 18 Deaths within Shoe Factory,” September 7, 2010, accessed May 14, 2015, <http://www.laprensa.hn/sucesos/485440-97/honduras-18-muertos-dentro-de-taller-de-zapatos>.

<sup>104</sup> America Economía, “Honduran Government Takes the Army to the Streets to Confront Violence,” September 9, 2010, accessed May 14, 2015, <http://www.americaeconomia.com/politica-sociedad/politica/gobierno-hondureno-saca-al-ejercito-las-calles-para-combatir-la-violencia>.

arrests, disarmaments, and all functions performed by the National Police and even to act against police officers involved in crimes. This was both a result of the implementation of new security strategies due to an increase in insecurity in Honduras and a reaction to the discovery of police officers tied to organized crime, as mentioned in the preamble of the legislative decree: “Serious questions arise of an important institution and particularly against members of the police profession, accused of corruption or collusion with organized crime, which has even led to the start of a serious process of debugging [Translated by the author].”<sup>105</sup>

In March 2012, the National Police created and tailored an antiextortion unit in order to confront the crime of extortion. Since its creation, this special unit has disassembled several criminal organizations engaged in extortion, despite the fact that extortion reporting was not a factor due to the fear of the population. This unit made available to the public two direct lines to report extortion cases. Notwithstanding achievements made by the antiextortion unit, “war tax” collection continued increasing to almost exceed the capabilities of National Police. For that reason, the National Defense and Security Council considered the need to involve other government agencies in the fight against extortion. Therefore, in March 2013, an interagency unit called National Antiextortion Force was created, which is composed of staff from the public prosecutor's office, National Police, Honduran Armed Forces, and the National Bureau of Investigation and Intelligence. In this regard, the Minister of the Security Department, Pompello Bonilla, stated that

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<sup>105</sup> La Jornada, “Honduran Congress Approves that Military Perform Police Functions,” December 1, 2011, accessed May 12, 2015, <http://www.jornada.unam.mx/2011/12/01/mundo/027n2mun>.

This force is an interagency effort whose purpose will be the frontal fight against extortion crime around the country. Each one of the agencies that will make up this force will collaborate with their best elements to investigate, detect and prosecute quickly and efficiently all those groups or individuals who engage in this illicit activity [Translated by the author].<sup>106</sup>

NAF agents are trained in special operations and gun skills every three months. In addition to that, NAF has been supported by the Antiextortion and Kidnapping Unit (UNASE, acronym in Spanish) and the Unified Action Groups for Personal Freedom (GAULA, acronym in Spanish) from Colombia, as well as the U.S. Agency for International Development (USAID), which provide funding and technical support. Since its creation, NAF has disassembled at least 300 criminal organizations engaged in extortion, have caught more than 1,100 extortionists, and have prevented the payment of up to US\$2.63 million.<sup>107</sup>

Similarly, in August 2013, the National Congress approved the creation of the Military Police of Public Order (MPPO), which became a Special Command of the Honduran Armed Forces, increasing the number of troops to 5,000 the military police branch. MPPO units have been trained in both intelligence and investigation tasks and conduct police operations to promote public order and security. This measure was implemented due to the fact that “organized crime has evolved its practices, strategies as well as the use and handling of armament, which in many cases is equal or superior to the armament used by the Honduran Armed Forces and represents a threat for the existence

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<sup>106</sup> Proceso Digital, “Government Creates National Antiextortion Force,” March 6, 2013, accessed January 10, 2015, <http://www.proceso.hn/component/k2/item/24663.html>.

<sup>107</sup> Diálogo, “Honduras: National Antiextortion Force Subject Organized Crime,” December 17, 2014, accessed February 15, 2015, <http://dialogo-americas.com/es/articles/rmisa/features/2014/12/17/feature-03>.

of the state and society, so organized crime actions must be considered the same as terrorist acts, subversion and insurgency [Translated by the author].”<sup>108</sup> According to the data from the Department of Defense, MPPO has achieved the following results:<sup>109</sup>

Table 3. Military Police of Public Order Results	
Action	Total
Operations	294,703
Capture commands executed	3,626
People arrested for crimes	12,925
Cocaine seized (kgs)	11,322
Marijuana seized (kgs)	61,744
Confiscated fire weapons	3,268
Confiscated cars	1,833
Confiscated money to organized crime	US\$13.3 million

Source: La Prensa, “Interactive: The Path of Military Police of Public Order,” January 21, 2015, accessed May 12, 2015, <http://www.laprensa.hn/honduras/787293-410/interactivo-el-camino-de-la-polic%C3%ADa-militar-del-orden-p%C3%ABlico>.

In addition to the results shown in the previous chart, MPPO operations have managed to bring peace to the troubled sectors in San Pedro Sula, such as Rivera Hernández and Chamelecón neighborhoods, where many families had been displaced

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<sup>108</sup> National Congress of Honduras, *Law of Military Police of Public Order*, Decree 168-2013 (Tegucigalpa, MDC: Empresa Nacional de Artes Gráficas, 2013), Preamble.

<sup>109</sup> La Prensa, “Interactive: The Path of Military Police of Public Order,” LaPrensa.hn, January 21, 2015, accessed May 12, 2015, <http://www.laprensa.hn/honduras/787293-410/interactivo-el-camino-de-la-polic%C3%ADa-militar-del-orden-p%C3%ABlico>.

from their homes by gang members. Due to the success of *Operation Morazán*,<sup>110</sup> on February 17, 2014 the National Defense and Security Council approved the creation of an entity responsible for overseeing the daily operations of both security and justice institutions. Thus, the Interinstitutional National Security Force was created. This security institution is coordinated by the Public Ministry and is integrated with the National Police, MPPO, the Army, the National Bureau of Investigation and Intelligence, the National Directorate of Special Investigation Services, and justice operators nationwide.<sup>111</sup> Since its creation, FUSINA has had significant successes decreasing the violence rates. Likewise, FUSINA has captured and prosecuted gang members, which has contributed to recovering public areas and has provided more security to the population.

Similarly, in order to strengthen the actions of security institutions, the Honduran government has implemented direct actions against the criminal organization structures. These measures include actions to reduce the control gang leaders exert even from prisons and toughen penalties related to the crime of extortion and illegal association. The executive branch requested from the National Congress the amendment of article 332 of the Penal Code, known as the *Anti-gang law*,<sup>112</sup> which prescribes both penalties and fines

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<sup>110</sup> In January 27, 2014, as his first act as President of Honduras, Juan Orlando Hernández, ordered the execution of Operation Morazán in order to confront delinquency, crime, and drug trafficking. The President instructed both the Chief of Staff of Honduran Armed Forces and Director of National Police to initiate actions in order to “recover peace in Honduras.” Immediately, the order was transmitted to the MPPO units and Special Security Response Group (Tigres), a special police unit.

<sup>111</sup> La Prensa, “Honduras Will Create Inspectorate to Reduce Violence,” February 14, 2014, accessed May 12, 2015, <http://www.laprensa.hn/honduras/tegucigalpa/476178-98/honduras-creara-inspector-ia-para-reducir-la-violencia>.

<sup>112</sup> Approved by the National Congress in August 2002 in order to ban the existence of gangs and penalize the fact of being part of any of them.

for gang leaders, gangs and other groups that associate with the permanent purpose of executing crimes. The amendment passed by the National Defense and Security Council is needed because this law is not working since it is limited to permanent gang members, but it is necessary to punish any person who participates or collaborates in the commission of a crime planned by any criminal organization.<sup>113</sup>

Moreover, according to police sources, 7 out of 10 extortion calls that victims receive are made from prisons. Thus, in December 2013, the National Congress approved a law to ban the wireless (cell phone) signal within prisons. This law prescribes fines up to US\$950,000 or even the cancellation of service certificate to carriers that break this rule. This measure is necessary because prisons have become the criminal headquarters, from which are ordered the commission of crimes. The signal blocking was implemented in prisons located in Puerto Cortes, El Progreso, Santa Rosa de Copan, Ocotepeque, Gracias, Santa Barbara, El Porvenir, Tela, Olanchito, Trujillo, Puerto Lempira, Juticalpa, Danlí, Comayagua, La Paz, La Esperanza, Intibucá, Marcala, Choluteca, Nacaome, San Pedro Sula, La Ceiba, and Valle de Amarateca (Tegucigalpa).<sup>114</sup> In addition, the National Congress expanded the blocking to calls made through internet, Wi-Fi, satellite phones and other systems. This expansion includes global mobile personal communication services (GMPPCS), personal communication services (PCS), community repeater

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<sup>113</sup> El Herald, “Sent to the NC Request to Reform the Anti-gang Law,” March 16, 2015, accessed April 20, 2015, <http://www.elheraldo.hn/pais/823016-331/env%C3%ADa-an-al-cn-petici%C3%B3n-de-reforma-a-ley-antimaras>.

<sup>114</sup> Proceso Digital, “Zero Hour for Blocking Cell Arrived in Honduran Prisons,” February 13, 2014, accessed April 16, 2015, <http://www.proceso.hn/component/k2/item/7788-Lleg%C3%B3-la-hora-cero-para-el-bloqueo-de-celulares-en-c%C3%A1rces-hondure%C3%B1as.html>.

service, mobile multi-channel automatic selection (trunked radio), internet services or access to computer networks, video-conference services, amateur services, and switching service and data transmission, as well as cable TV, wireless TV, and any other telecommunication service.<sup>115</sup>

Conversely, in March 2015, MPPO transferred 35 of the most dangerous criminals from the prisons in San Pedro Sula and Tegucigalpa to the new maximum security prison located in El Porvenir, Francisco Morazán. The purpose of these transfers is to regain the control of prisons that had been controlled by gangs and criminal organizations for a long time.<sup>116</sup> In this regard, the President of Honduras has stated “They [criminals] have turned prisons into schools of crime. The action taken by the National Police, Military Police and other justice officials has been very efficient. Hundreds and hundreds of criminals who are being prosecuted are coming to the prisons [Translated by the author].”<sup>117</sup>

The effectiveness of the measures taken by the government and security institutions cannot be seen in the short term since the effects within criminal

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<sup>115</sup> Honduprensa, “National Congress Extends to Wi-Fi Blocking Calls from Prisons,” April 22, 2015, accessed May 5, 2015, <https://honduprensa.wordpress.com/2015/04/22/honduras-congreso-nacional-amplia-a-wi-fi-bloqueo-de-llamadas-desde-carceles/>.

<sup>116</sup> La Prensa, “Relocate 35 Dangerous Prisoners of Honduras,” March 26, 2015, accessed May 1, 2015, <http://www.laprensa.hn/sucesos/825831-410/reubican-a-35-peligrosos-reos-de-honduras>.

<sup>117</sup> Europa Press, “The President of Honduras Confirmed that the Transfer of Dangerous Prisoners Continue Despite the Bloody Mutiny,” March 12, 2015, accessed May 1, 2015, <http://www.europapress.es/internacional/noticia-presidente-honduras-confirma-traslado-reos-peligrosos-continuara-pese-sangriento-motin-20150312042408.html>.



organizations generate more violence throughout the country. The signal blockade in all prisons has allowed the reduction of extortion,<sup>118</sup> illustrating the extent to which prisoners have been controlling this crime in Honduras. However, extortion activities require personnel outside the prisons in order to both collect the money and commit attacks against those who refuse to pay. Thus, the isolation of the gang leaders in prison has had side effects since those gang members in freedom have seen the opportunity to increase their own power and to receive profits. This is why the loss of control by the imprisoned leaders has led to an increase of violence. To the extent that gangs are fragmented, mid-level operators are competing for control of the territory. However, those new leaders are much younger, less experienced, and more likely to make mistakes, which can be an advantage for security institutions.

### Economic Context

The economic impact of extortion occurs both individually, with reduction of personal assets and increase of personal security costs, and at the country level, with a climate of insecurity and fear that is not attractive to new investors. In recent years, Honduras has been struggling with many adversities to include the international economic crisis in 2008 followed by the internal political crisis in 2009. This critical situation led the Honduran government to face difficult economic conditions that have resulted in an exacerbation of social problems, such as unemployment and insecurity. Furthermore, the country has experienced a slow economic recovery both in tax revenue and job creation. These two aspects have resulted in the country living in a deep fiscal

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<sup>118</sup> El Herald, “Honduras: 50% Down Reports of Extortion.”

crisis that has prevented the government's response to social demands and has exacerbated poverty in the country.

Moreover, failing to have an adequate economic dynamism has led to an increase in unemployment. This environment has contributed to an increase of problems such as insecurity, particularly related to drug trafficking, organized crime and extortion. One of the main factors in the economic situation is the environment of personal insecurity because foreign investment has been so discouraged. Hardly any investor is encouraged to invest in a place where either his life or his property are in constant danger. This leads to two options: (1) he decides to invest in another country with better security conditions, (2) he decides to keep the money in bank accounts. Either of the two decisions represents damage to the economy because there is no investment. If there is no investment, there will be no jobs or tax revenue to the treasury, resulting in an economic crisis.

And again, just as extortion has spread, the consequences to the economy and society are more visible, affecting the productive sector, especially micro and small enterprises, which pay a high price due to the direct attack of criminal organizations. In the case of medium and large enterprises this is reflected in the increase of security costs for the protection of vehicles and facilities, as well as the need for other electronic security systems. Consequently, this situation creates a secondary effect on the consumer since the entrepreneur seeks ways to recover costs and maintain profits by increasing the price of goods and services. Thus, extortion puts pressure on economic inflation.

Nevertheless, protection measures are taken by businesses with high profit not by the sector of micro and small enterprises, which due to extortion by criminal organizations are forced to close either because they cannot afford the "war tax" payment or because of

fear for reprisals since, in the majority of cases, these small entrepreneurs have their businesses in their own houses, which makes them easy targets for criminals.

According to studies by the Chamber of Commerce and Industry of Tegucigalpa (CCIT), the registration of new businesses has decreased by 24 percent during the last years. In 2012, the initiation of new business dropped 79 percent compared to 2011 when 1,948 new businesses were created against 1,552 in 2012. This trend has continued to rise. Consistent with this research, 40 percent of entrepreneurs believe that violence is the biggest concern when deciding to invest in Honduras. These numbers are even more frightening for those who have experienced anxiety, helplessness and despair that causes loss of everything due to extortion.<sup>119</sup> In addition, about 72,000 jobs have been lost in the capital city due to the closure of at least 18,000 enterprises during 2012-2013 due to extortion. At the same time, based on a survey conducted by CCIT of 2,920 business owners, 13 percent consider extortion is the biggest obstacle to investing in Honduras. Another 13 percent consider organized crime is the biggest barrier to begin businesses, and 22 percent say that violence is stopping private investment.<sup>120</sup> Therefore, the effects of the extortion are reflected not only in job losses, but also affect the tax system since these businesses fail to pay taxes and contributions to the social security system.

Besides micro enterprises, public transportation is one of the most affected economic sectors. Leaders in this field have dared to provide figures of payments made to

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<sup>119</sup> Centro de Estudios e Investigaciones Económicas, *Economical Report January 2013* (Tegucigalpa, MDC: Cámara de Comercio e Industrias de Tegucigalpa, 2013), accessed December 8, 2014, <https://www.ccit.hn/wp-content/uploads/2013/03/Informe-Economico-Enero-2013.pdf>.

<sup>120</sup> Hondured 13, “More Than 72,000 Jobs Lost for Extortion,” May 6, 2014, accessed February 22, 2015, <http://hondured.tv/node/6172>.

gangs, which range around US\$15 million per year plus the number of bus drivers who have died for failure to pay the extortion. Furthermore, some transport entrepreneurs are being displaced by gang members. As revealed by the NAF, extortion in the transport sector is not limited to the “war tax” collection, criminals also demand to include their own buses in the company. In addition, they force the owners of buses to employ gang members as drivers who pass on information to extortionist about the owners of buses, their families and profits in order to intimidate them.<sup>121</sup> Nowadays gangs are not only collecting the “war tax” for each public transportation unit, but also are establishing themselves as entrepreneurs.

This difficult situation can lead to economic collapse. One major damaging effect of extortion on the economy is pulling out money from the market, which constricts economic growth and discourages investors from taking new initiatives for investments, which results in high unemployment and a drop in tax revenues.

### Social Context

Lack security has exacted a high cost on the economy of the country on both in the public and private fields. The government of Honduras invests in public institutions engaged in security and justice around US\$509 million per year, which accounts for about 8 percent of the national budget and around 3 percent of the gross domestic product (GDP). In addition to that, the costs enterprises pay for private security services could be included as an added cost for doing business. Clearly, the phenomenon of insecurity has exceeded the capabilities of security institutions and has risen to historical heights.

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<sup>121</sup> Ibid.

Extortion has reached levels never imagined in the society since it affects all economic and social classes, from families of limited economic resources to micro enterprises to large companies. This crime negatively affects Honduran families since, in many cases, criminals kill those victims who refuse to pay. The crime situation and the “war tax” collection have increased the levels of violence and insecurity, particularly in the main cities, becoming a serious threat to both the lives of the people and all economic activities.

Resignation and fear are evident in most of the population due to the difficulty faced by security institutions to counter the rise of a variety of crimes that affect citizens daily. Extortion is the crime of higher incidence, which generates a generalized psychosis since no one is exempt from receiving either a phone call or someone knocking on the door of the house to demand “fee” to live in peace. The fear of the possibility of being the victim of any economic blackmail is no longer just a risk, but has become a real threat regardless of race, social status, religion or any other social category. Criminal organizations have extended their objectives from sectors of society whose members subsist on minimal economic conditions to people of a higher social strata. They kill people in inhuman ways, and most of them are people of low income who suffer these consequences because they cannot meet the illegal taxation fee. Thus, potential victims of extortion panic when receiving a call or notice that must pay a certain amount of money. They fall into mental disorders that affect their normal behavior and their family and social environment, leading to negative medical and economic consequences.

Additionally, extortion is causing other social effects such as increased internal and external migration of people who choose to leave their homes in order to escape from

the harassment of criminal organizations either because they are direct victims of extortion or trying not to be the next victim. Gang members have displaced several families from some communities in order to establish their headquarters or place of residence. Anyone who opposes this practice is killed automatically. In many cases, families have abandoned their houses as they did not have the opportunity to sell them due to the siege of criminal groups. Their houses are taken by gangs and are used as places to torture, kill, and dismember their victims. These houses are known as “*casas locas*” (crazy houses).<sup>122</sup> However, those who do not have time to flee are killed, leaving widows and orphans. In several neighborhoods in major cities entire blocks of abandoned houses are a sign that their owners chose to leave because they could not stand living under the terror of the gangs. Some were murdered, others left behind everything that had built with work and effort, as stated by a Honduran who was deported from the United States:

At the beginning they [gang members] just charged me the “war tax”; I hardly could pay, but I could sustain myself. One day, they came by my house and told me to sell drugs in my business, I refused, so they told me I had to leave or they would kill me. I know them. They live in the same neighborhood and know where I live. That is why I had to leave [to the U.S.] [Translated by the author].<sup>123</sup>

For this reason, security has become the first priority of the Honduran government since the less effective the security institutions are in countering crime, the greater

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<sup>122</sup> Proceso Digital, “‘Crazy Houses’, Horror Residences Uncovered,” October 19, 2013, accessed March 25, 2015, <http://www.proceso.hn/component/k2/item/13246.html>.

<sup>123</sup> Radio Progreso, “Extortion and Death Threats Generate Massive Migration of Hondurans,” April 17, 2015, accessed May 12, 2015, <http://radioprogreso.hn.net/index.php/comunicaciones/noticias/item/1996-extorsiones-y-amenazas-a-muerte-generan-migraci%C3%B3n-masiva-de-hondure%C3%B1os-y-hondure%C3%B1as>.

tendency is for this crime to increase. Similarly, the less people are arrested and prosecuted, the more young people will be motivated to enter gangs, which can become a serious threat to the stability of the country. The increase in extortion and other related crimes are leading to the emergence of a new economic empire linked to organized crime. This keeps important economic areas mired in widespread fear that manifests itself every time a phone call or correspondence from unknown origin is received. Furthermore, there is a continuing distrust and suspicion towards any person with whom there is no previous engagement or familiarity, leading to isolation and sociopathy. On the other hand, the private security services industry and arms sales are increasing more and more, which is leading to a society increasingly familiar with weapons.

One aspect that contributes to increased extortion is that police officers have tied to criminal organizations. In many cases, they share the profits of extortion, which facilitates the modus operandi of gangs and prevents the capture of gang leaders. Both the repressive powers of underground organizations and the inefficiency of security institutions to pursue and punish them are two of the reasons why victims refrain from reporting since they fear reprisals from criminals who coerce the victims to pay. Criminals seek to reduce the victim to impotence. This creates a mood that facilitates the achievement of their objectives and leaves communities in fear, which prevents them from developing economic and social activities normally. People who have been victims of extortion have suffered psychologically, morally and socially.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### Conclusions

Extortion is a crime with many negative economic and social consequences to the individual, the community and the nation as a whole. It is noted that the proliferation of this crime is linked to factors such as high impunity, social problems, access to telecommunications, and the lack of credibility and confidence in the security institutions at local, municipal, and national levels. As has been described in chapter one, the purpose of this research is to identify the social and economic effects of extortion through the “war tax” collection in Honduran society. The violence generated as a consequence of extortion is causing an environment of insecurity that discourages both domestic and foreign investment, which further damages the economy because the lack of investment prevents the generation of jobs. Additionally, the “war tax” collection is affecting the productive sector due to the closure of companies and businesses, especially micro and small enterprises that cannot afford the illegal economic demands. This situation creates side effects since it increases the unemployment rates nationwide and reduces the tax revenue that can be used for the execution of social projects. Nonetheless, it can be said that extortion also generates economic inflation because the money that companies pay for extortion becomes production costs that transfers to the final consumer as increased prices of goods and services.

Extortion is affecting both economic activities and the lives of the people in all social classes. The levels of violence have increased in the country. Countless deaths are a result of extortion, either because of murders of victims who refuse to pay or caused by



territorial disputes between gangs. Thus, extortion is breaking family ties in Honduran households and promoting family disintegration, as assassinations increase the numbers of widows and orphans who then become a social burden either because the government must assume responsibility to support them or because they are forced to integrate into the gang culture in the future. Furthermore, this violence is causing a generalized psychosis among the population. People are afraid of even answering a personal telephone due to fear of becoming victims of extortion and nobody wants to visit relatives or friends who live in neighborhoods controlled by gangs, which leads to greater social isolation. Additionally, extortion is increasing internal and external migration of people. The harassment of citizens by gang members has displaced several families who choose to leave their homes either because they are direct victims of extortion or they do not want to be the next victims.

Likewise, in order to identify the social and economic effects of extortion, two secondary research objectives established were to detect the most vulnerable places where criminal groups collect the “war tax”, as well as the social levels and the commercial activities carried out by victims of extortion. Accordingly, the crime of extortion occurs mainly in neighborhoods of lower-middle class level and commercial areas in main cities, with greater incidence in certain sectors of the economy such as transportation and low-level commercial businesses, which are vulnerable because they do not have security systems. In addition, the poor class of the country is the sector most affected, as well as public passenger transport, urban and intercity busses and taxis, and micro and small enterprises such as convenience stores, shops, market stalls, and cafeterias.

Furthermore, in order to understand the magnitude of the effects of extortion, it was necessary to identify what criminal organizations are involved in this crime. Large gangs, such as MS-13, M-18, and Los Chirizos, are the criminal organizations that mostly perform “war tax” collection either weekly or monthly; however, there are other organizations and unscrupulous people who, posing as gangs, take advantage of the fear of the population to commit this crime and obtain lucrative illegal profits. Gangs are becoming small governments in the shadows since they control many prisons, neighborhoods, and have both support groups and staffs of professionals in different areas. They even have the capability to supplant state authority in some places. Similarly, some investigations have uncovered ties between gangs and members of the National Police.

Besides, this research has been aimed to identify the measures the Honduran government and security institutions have been taking in order to confront the crime of extortion. In that order of ideas, the strategies to counter this crime and return peace to the citizens include the creation and organization of special units within both the National Police and the Armed Forces such as NAF, FUSINA, and MPPO. These special units have contributed to reduce the crime incidence by disassembling several criminal organizations, recovering neighborhoods that were controlled by gangs, and capturing and prosecuting gang members involved in the “war tax” collection. Furthermore, the Honduran government has modified some laws to reduce the control gang leaders exert even from prisons, toughen penalties related to the crime of extortion and illegal association, and provide the Honduran Armed Forces temporary police functions in order to conduct operations against criminal organizations. Even though the incidence of

extortion has been reduced, the measures taken by the government have had some negative side effects within criminal organizations. The violence has increased as a consequence of the isolation of the gang leaders in prison since it has triggered a competition among gang members for controlling both their territory and the profits of the “war tax” collection.

### Recommendations

The Honduran government must invest in preventive measures to minimize the involvement of young men and women in criminal organizations, particularly gangs. The need to strengthen the structure of security institutions is imperative. They should be provided with adequate training, budgets, technology, and human resources to increase their intelligence capabilities, facilitate decision-making and the execution of operations against criminal organizations in coordination with other countries such as Guatemala and El Salvador, which are dealing with the similar problem and criminal organizations. The government must both strengthen law enforcement institutions and create nationwide stations to monitor criminal behavior.

A public information campaign must be designed aimed at both improving the credibility of security institutions and gaining the trust, confidence, and support of the population in order to confront this crime directly. Similarly, the national security strategy should toughen the legal framework in order to elevate the illegal activities of gangs and other criminal organizations to the same level as acts of terrorism, given their level of sophistication and operational capabilities nationally and internationally.

## GLOSSARY

Anti-gang Law. Approved on August 7, 2002 by Honduran National Congress. The article 332 of this law condemns with up to twelve years of prison the gang leaders that are associated with the permanent objective of execute any crime. In the same way, conviction for members that are not leaders is one third less than leaders. Besides prison they can be liable to a fine up to US\$12,000

Extortion. Public threat, defamation or such damages made against someone in order to obtain money or other benefit. Pressure, through threats, exerted to force anyone to act in a certain direction.<sup>124</sup>

To force another with violence, intimidation or threats, to perform or omit an act or legal business or take any provision to the detriment of their heritage or the third party.<sup>125</sup>

Gang. Two or more individuals who meet to plan and commit criminal acts to the detriment of the State, of persons, of private property, etc.  
These criminal organizations arose in Central America late the 90's, mainly in El Salvador, Guatemala, and Honduras. Nowadays, gangs are regarded as the main threat to people and possibly to the national security in at least these three countries, if not in all the region of Central America. They have spread to South America, Mexico, United States, Canada and Spain, where they are regarded, at least, as a very severe criminal problem which requires strong interventions by the police.<sup>126</sup>

Honduran Armed Forces. According to the Constitution, the Armed Forces cooperate with public security institutions at the request of the Secretariat of Security to combat terrorism, arms trafficking and organized crime. The most frequent cooperation mechanism is developed through specific requests made by the Secretariat of Security, from which an order or operational plan between the Armed Forces and the Police is established in order to establish the details of the

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<sup>124</sup> Real Academia Española, *Dictionary of the Spanish Language* (Madrid: Espasa-Calpe, 2009, 2001).

<sup>125</sup> National Congress of Honduras, *Criminal Procedure Code of Honduras*, Decree 9-99-E (Tegucigalpa, MDC: Empresa Nacional de Artes Gráficas, 2007), article 184.

<sup>126</sup> Thomas C. Bruneau and Richard B. Goetze, Jr., "Gangs in Central America," *Air and Space Power* 20, no. 82 (2nd Quarter 2008): 49.

operation. The most frequent activities are urban patrol tasks and patrols and operations to combat drug trafficking.<sup>127</sup>

National Defense and Security Council. Maximum permanent body responsible for designing and supervising the national policies on security, defense and intelligence. It is integrated by the President of the Republic, the President of the National Congress, the President of the Supreme Court, the Attorney General, Minister of the Security Department, and the Minister of the Defense Department.<sup>128</sup>

National Police. Honduran National Police is a permanent professional state institution, non-political in the partisan sense, purely civil, responsible for ensuring the preservation of public order, the prevention, control and fight against crime; protect the safety of people and property; implement the resolutions, regulations, mandates and legal decisions of the authorities and public officials, all with strict respect for human rights.<sup>129</sup>

Its functions include: (1) ensure the preservation of public order, (2) prevention, control, and combatting of crime, misdemeanors and infractions, (3) protect the safety of people, their lives, their physical, psychological and moral integrity, their freedom, property and rights, (4) assist in the preservation of the environment, public morality and state property, (5) implement the resolutions, regulations, orders and decisions issued by the authorities and public officials, and aid public authorities, within the framework of the law, (6) secure legal migration and prevent illegal trafficking, (7) the fight against organized crime, drug trafficking and money laundering, (8) the regulation and control of private security services, (9) the registration and control of potentially hazardous materials for the maintenance of public order such as production, marketing, and possession of chemical weapons and explosives, as well as other activities that can be implemented to the commission of crimes.<sup>130</sup>

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<sup>127</sup> National Congress of Honduras, *Constitution of the Republic of Honduras, Decree 136-1995* (Tegucigalpa, MDC: Empresa Nacional de Artes Gráficas, 1982), article 272, 274.

<sup>128</sup> National Congress of Honduras, *Special Law of the National Defense and Security Council*, Decree 239-2011 (Tegucigalpa, MDC: Empresa Nacional de Artes Gráficas, 2011), article 1-2.

<sup>129</sup> National Congress of Honduras, *Constitution of the Republic of Honduras*, article 293.

<sup>130</sup> National Congress of Honduras, *Organic Law of the National Police of Honduras, Decree 67-2008* (Tegucigalpa, MDC: Empresa Nacional de Artes Gráficas, 2008), article 3.

War Tax. Special contribution applied in some countries to a sector of the population, which aims to finance any war with investments in armaments and increases to the army. It is the procedure that criminal organizations make in order to obtain money, either weekly or monthly, through intimidation of owners of businesses, residences, churches, merchants, but especially against the owners of public transportation units, in exchange for letting them to operate freely. Otherwise either the owner or a family member is killed.

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